EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1761. A communication from the President of the United States, transmitting recommendations for action in the present session to renew the program of vocational rehabilitation for disabled veterans which was in effect during and after World War II (H. Doc. No. 728); to the Committee on Veterans' Affairs and ordered to be printed.

1762. A communication from the President of the United States, transmitting a proposed supplemental appropriation to pay claims for damages, audited claims, and judgments rendered against the United States, as provided by various laws, in the amount of $5,274,033.96, together with such amounts as may be necessary to pay indefinite interest and costs and to cover increases in rates of exchange as may be necessary to pay in foreign currency (H. Doc. No. 729); to the Committee on Appropriations and ordered to be printed.

1763. A letter from the Secretary of the Interior, transmitting the report of the Migratory Bird Conservation Commission for the fiscal year ended June 30, 1950, in accordance with the provisions of section 3 of the act of Congress approved February 18, 1929 (45 Stat. 1222; U. S. C., title 16, sec. 715b); to the Committee on Agriculture.

1764. A letter from the Acting Comptroller General of the United States, transmitting a report on the audit of Gorgas Memorial Institute of Tropical and Preventive Medicine, Inc., for the fiscal year ended June 30, 1950; to the Committee on Expenditures in the Executive Departments.

1765. A letter from the Secretary of the Interior, transmitting a copy of certain legislation passed by Fifteenth Legislative Assembly of the Virgin Islands, first session, 1950, pursuant to section 16 of the Organic Act of the Virgin Islands of the United States, approved June 22, 1936; to the Committee on Public Lands.

1766. A letter from the Secretary of the Interior, transmitting a copy of a law enacted by the Tenth Guam Congress, in accordance with section 19 of Public Law No. 630, Eighty-first Congress; to the Committee on Public Lands.

1767. A letter from the Deputy Attorney General, transmitting a draft of a bill entitled "A bill to amend section 215 of title 18, United States Code, to prohibit officers or employees of the United States from accepting payments for appointment or retention of a person in office or employment under the United States"; to the Committee on the Judiciary.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. McCORMACK:

H. R. 9840. A bill to exempt furlough travel of service personnel from the tax on transportation of persons; to the Committee on Ways and Means.

By Mr. PRICE:

H. R. 9841. A bill to authorize a Federal civil defense program, and for other purposes; to the Committee on Armed Services.

By Mr. LANE:

H. R. 9842. A bill to amend Public Law No. 441, Eighty-first Congress, so as to provide for the annual proclamation of National Children's Dental Health Day; to the Committee on the Judiciary.

By Mr. HELLER:

H. Con. Res. 291. Concurrent resolution memorializing and requesting the General Assembly of the United Nations to enact a measure or measures to the end that aggression in any part of the world may effectively be resisted; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BARRETT of Pennsylvania:

H. R. 9843. A bill for the relief of Ina Adams, nee de Silva; to the Committee on the Judiciary.

By Mr. BOLTON of Maryland:

H. R. 9844. A bill for the relief of Mrs. Ermonie Locatelli; to the Committee on the Judiciary.

By Mr. BYRNE of New York:

H. R. 9845. A bill for the relief of Capt. Marciano O. Garces; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

2402. By Mr. CANFIELD: Resolutions adopted by the New Jersey State Association of the Chiefs of Police at their last meeting, held November 2, 1950, that all regular members of the police departments of the State of New Jersey, now or hereafter subject to draft under selective service, be deferred; to the Committee on Armed Services.

2403. By Mr. GRAHAM: Petition of the Beaver County Council of the Veterans of Foreign Wars of Pennsylvania, urging a full-scale investigation of our whole foreign and defense program; to the Committee on Rules.

2404. By Mr. RICH: Petition of Newberry Lions Club, Williamsport, Pa., in opposition to any form of compulsory health insurance or any form of Federal bureaucratic control to the application of medical science and/or medical services to the people; to the Committee on Interstate and Foreign Commerce.

2405. Also, petition of Welcome Wagon, Newcomers' Club, Williamsport, Pa., in opposition to any form of compulsory health insurance or any form of Federal bureaucratic control to the application of medical science and/or medical services to the people; to the Committee on Interstate and Foreign Commerce.

2406. Also, petition of Montoursville Garden Club, Montoursville, Pa., in opposition to any form of compulsory health insurance or any form of Federal bureaucratic control to the application of medical science and/or medical services to the people; to the Committee on Interstate and Foreign Commerce.

SENATE

TUESDAY, DECEMBER 5, 1950

(Legislative day of Monday, November 27, 1950)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Eternal God, who putteth down the mighty from their seat and exalteth the humble and the meek, Thy providence has led us to the very vestibule of destiny. Upon the President of the United States and his counselors, the Vice President and Members of the Congress, the leaders of our Armed Forces, and upon all trusted with authority on whose shoulders rest the heavy burdens and responsibilities for vital decisions so largely molding the future and, for weal or woe, affecting the lives of untold millions, we implore the wisdom which is from above. As in the name of the Lord our God we set up our banners, with closed ranks we march on toward stern and bitter days with the assurance that as we fight to make men free we march with Thee. In the Redeemer's name. Amen.

THE JOURNAL

On request of Mr. LUCAS, and by unanimous consent, the reading of the Journal of the proceedings of Monday, December 4, 1950, was dispensed with.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States submitting a nomination was communicated to the Senate by Mr. Miller, one of his secretaries.

LEAVE OF ABSENCE

On request of Mr. LUCAS, and by unanimous consent, Mr. HOLLAND was excused from attending the session of the Senate today because of official business.

COMMITTEE MEETING DURING SENATE SESSION

On request of Mr. LUCAS, and by unanimous consent, the Committee on Foreign Relations was authorized to meet this afternoon during the session of the Senate.

CALL OF THE ROLL

Mr. LUCAS. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The roll was called, and the following Senators answered to their names:

Aiken	Hill	Mundt
Anderson	Hoey	Myers
Butler	Hunt	Neely
Byrd	Ives	Nixon
Cain	Johnson, Tex.	O'Conor
Capehart	Johnston, S. C.	O'Mahoney
Carlson	Kefauver	Pepper
Chapman	Kem	Robertson
Chavez	Kerr	Russell
Clements	Kilgore	Saltonstall
Connally	Knowland	Schoeppel
Cordon	Langer	Smith, Maine
Donnell	Leahy	Smith, N. J.
Douglas	Lehman	Smith, N. C.
Dworshak	Long	Stennis
Eastland	Lucas	Taft
Ecton	McCarthy	Taylor
Flanders	McClellan	Thomas, Okla.
Frear	McFarland	Thomas, Utah
Fulbright	McKellar	Thye
George	McMahon	Tydings
Gillette	Magnuson	Watkins
Gurney	Malone	Wherry
Hayden	Maybank	Wiley
Hendrickson	Millikin	Williams
Hickenlooper	Morse	Young

Mr. MYERS. I announce that the Senator from Connecticut [Mr. BENTON] is necessarily absent.

The Senator from Louisiana [Mr. ELLENDER] and the Senator from Colorado [Mr. JOHNSON] are absent on official business.

The Senator from Rhode Island [Mr. GREEN] is absent by leave of the Senate on official business, having been appointed a delegate from the Senate to attend the meeting of the Commonwealth Parliamentary Association in Australia.

The Senator from Florida [Mr. HOLLAND] is absent by leave of the Senate on official business.

The Senator from Minnesota [Mr. HUMPHREY] is absent because of illness.

The Senator from Nevada [Mr. MCCARRAN] is absent by leave of the Senate.

The Senator from Montana [Mr. MURRAY] is absent on public business.

The Senator from Alabama [Mr. SPARKMAN] is absent by leave of the Senate on official business as a representative of the United States to the fifth session of the General Assembly of the United Nations.

Mr. WHERRY. I announce that the Senator from Maine [Mr. BREWSTER] and the Senator from Ohio [Mr. BRICKER] are necessarily absent.

The Senator from New Hampshire [Mr. BRIDGES] is absent on official business.

The Senator from Michigan [Mr. FERGUSON] is absent by leave of the Senate on official business, having been appointed as a delegate from the Senate to attend the meeting of the Commonwealth Parliamentary Association in Australia.

The Senator from Pennsylvania [Mr. MARTIN] is absent by leave of the Senate on official business.

The Senator from Indiana [Mr. JENNER] is unavoidably detained.

The Senator from Massachusetts [Mr. LODGE] is absent by leave of the Senate as a delegate of the General Assembly of the United Nations.

The Senator from New Hampshire [Mr. TOBEY] is absent by leave of the Senate on official business of the Committee on Small Business.

The Senator from Michigan [Mr. VANDENBERG] is absent by leave of the Senate.

The PRESIDENT pro tempore. A quorum is present.

TRANSACTION OF ROUTINE BUSINESS

Mr. CAIN. Mr. President, I ask unanimous consent that Senators be permitted to submit routine and noncontroversial matters for the RECORD.

The PRESIDENT pro tempore. Without objection, it is so ordered.

PETITIONS

Petitions were laid before the Senate and referred as indicated:

By the PRESIDENT pro tempore:

A telegram in the nature of a petition from Mario L. Bove, of Pittsburgh, Pa., praying for the abolition of the atomic bomb, and so forth; to the Committee on Armed Services.

A resolution adopted by the Municipal Government of Rio Piedras, P. R., condemning the recent attack on President Truman (with accompanying papers); ordered to lie on the table.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. LANGER:

S. 4220. A bill for the relief of Thomas W. Wrangham; to the Committee on the Judiciary.

By Mr. KILGORE:

S. 4221. A bill for the relief of Dr. Yau Shun Leung; to the Committee on the Judiciary.

By Mrs. SMITH of Maine:

S. 4222. A bill for the relief of Helen J. Lumley; to the Committee on the Judiciary.

(Mr. CAIN introduced Senate joint resolution 211, to amend the Housing and Rent Act of 1947, as amended, with respect to resolutions of local governing bodies, which was ordered to lie on the table, and appears under a separate heading.)

INVESTIGATION OF CAUSE OF COLLISION ON LONG ISLAND RAILROAD

Mr. LANGER. Mr. President, I submit for appropriate reference a resolution providing for an investigation of the cause of the collision on the Long Island Railroad on November 22, 1950, and I ask unanimous consent that an article appearing in a recent issue of the New York World-Telegram and Sun be printed in the RECORD.

The PRESIDENT pro tempore. The resolution will be received and appropriately referred, and, without objection, the article presented by the Senator from North Dakota will be printed in the RECORD. The Chair hears no objection.

The resolution (S. Res. 369) was referred to the Committee on Interstate and Foreign Commerce, as follows:

Resolved, That the Committee on Interstate and Foreign Commerce, or any duly authorized subcommittee thereof, is authorized and directed to make a full and complete study and investigation for the purpose of ascertaining the cause or causes of the collision which occurred on the Long Island Railroad on November 22, 1950. The committee shall report to the Senate at the earliest practicable date the results of its investigation, together with its recommendations for such legislation as it may deem desirable.

The article presented by Mr. LANGER is as follows:

[From the New York World-Telegram and Sun]

"HUMAN FAILURE" MAIN CAUSE

These facts emerged incontrovertible today as unchecked "human failure"—the words of Governor Dewey—was established beyond peradventure of a doubt as the main cause of Wednesday's shocking accident in Richmond Hill where a Babylon-bound express sped unheeding through a warning and a stop signal and virtually gutted the rear car of a stalled Hempstead-bound local.

The same human failure was the cause of the Rockville Centre collision last February 17, which killed 32 and injured more than 100.

The same human failure was the cause of another collision in Sunnyside yards last December 22, which killed two and injured six.

And the ghost of that same human failure flashes beyond the scenes of the accidents to the equally fallible members of the Federal and State regulatory bodies on whom the public relies to make the railroads toe the mark—the Interstate Commerce Commission and the State's five-man public service commission.

ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL—ADDRESS BY SENATOR SPARKMAN

[Mr. HILL asked and obtained leave to have printed in the RECORD an address by Senator SPARKMAN, United States Delegate to the General Assembly of the United Nations, in Committee No. 2, on October 19, 1950, on the Economic Development of Underdeveloped Countries: Report of the Economic and Social Council, which appears in the Appendix.]

LAND REFORM AND FARM DEVELOPMENT—ADDRESS BY SENATOR SPARKMAN

[Mr. HILL asked and obtained leave to have printed in the RECORD an address delivered by Senator SPARKMAN before Committee No. 2 of the Assembly of the United Nations, regarding United States proposals for land reform and farm development, which appears in the Appendix.]

THE KOREAN WAR—ADDRESS BY HERBERT HOOVER

[Mr. WATKINS asked and obtained leave to have printed in the RECORD an address on the Korean war by Hon. Herbert Hoover, broadcast over the radio on October 19, 1950, which appears in the Appendix.]

SESQUICENTENNIAL OF THE ESTABLISHMENT OF THE TERRITORIAL GOVERNMENT OF INDIANA—ADDRESS BY ELMER DAVIS

[Mr. CAPEHART asked and obtained leave to have printed in the RECORD an address delivered by Elmer Davis on November 30, 1950, in the Library of Congress, on the occasion of the opening of the Library of Congress exhibition commemorating the sesquicentennial of the establishment of the Territorial government of Indiana, which appears in the Appendix.]

FEDERAL JUDGESHIPS—EDITORIAL FROM THE NEWARK (N. J.) EVENING NEWS

[Mr. HENDRICKSON asked and obtained leave to have printed in the RECORD an editorial entitled "Federal Judgeships," published in the Newark Evening News of December 4, 1950, which appears in the Appendix.]

STATEHOOD FOR ALASKA AND HAWAII—EDITORIAL FROM THE NEWARK (N. J.) EVENING NEWS

Mr. HENDRICKSON. Mr. President, in the light of the present parliamentary situation, it might be well for all of the Members of the Senate to read carefully an editorial entitled "Filibuster Against Justice," published in the Saturday, December 2, issue of the Newark Evening News.

Because it sounds an appropriate challenge and is germane to highly important calendar business, I ask unanimous consent that the editorial be incorporated in the body of the RECORD at this point in my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

FILIBUSTER AGAINST JUSTICE

Statehood for Alaska and Hawaii, which the House of Representatives approved last spring, is being blocked in the Senate because of a threatened filibuster of southern Democrats. The arguments for statehood are overwhelming. Yet southern Democrats oppose it on the crass ground that four Senators might be added to present membership, who would favor antidiscrimination legislation.

The southern Democrats, as usual, are not alone. Republicans have joined them using the argument that the population of Alaska is too small to warrant sending two Senators and at least one Representative to Washington. The ranking Republican on the Senate Interior Committee, which has the statehood bill in charge, Senator BUTLER, of Nebraska, opposes statehood for Alaska on the ground that the bill is an administration attempt to bring two left-wing Democratic Senators to the Congress to offset the effects of the November 7 general election, which reduced the Democratic margin of control to two seats.

Alaska and Hawaii are defense outposts of first importance in the Pacific. To extend statehood, which means representation, to these territories is in the national interest. If the Senate Republicans tie up with southern Democrats on this issue, their criticism of administration foreign policies will to a large extent be stultified and a record written for their Presidential candidate in 1952 that will not bear examination.

NOTICE OF HEARING ON NOMINATION OF EDWARD P. MURPHY TO BE UNITED STATES DISTRICT JUDGE FOR THE NORTHERN DISTRICT OF CALIFORNIA

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, and in accordance with the rules of the committee, I desire to give notice that a public hearing has been scheduled for Tuesday, December 12, 1950, at 10:30 a. m., in room 424, Senate Office Building, upon the nomination of Edward P. Murphy, of California, to be United States district judge for the northern district of California to fill a new position. At the indicated time and place all persons interested in the nomination may make such representations as may be pertinent. The subcommittee consists of the Senator from Nevada [Mr. McCARRAN], chairman, the Senator from Mississippi [Mr. EASTLAND], and the Senator from Indiana [Mr. JENNER].

NOTICE OF HEARING ON NOMINATION OF OLIVER J. CARTER TO BE UNITED STATES DISTRICT JUDGE FOR THE NORTHERN DISTRICT OF CALIFORNIA

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, and in accordance with the rules of the committee, I desire to give notice that a public hearing has been scheduled for Tuesday, December 12, 1950, at 10:30 a. m., in room 424, Senate Office Building, upon the nomination of Hon. Oliver J. Carter, of California, to be United States district judge for the northern district of California. Judge Carter is now serving under a recess appointment. At the indicated time and place all persons interested in the nomination may make such representations as may be pertinent. The subcommittee consists of the Senator from Nevada [Mr. McCARRAN], chairman, the Senator from Mississippi [Mr. EASTLAND] and the Senator from Indiana [Mr. JENNER].

NOTICE OF HEARING ON NOMINATION OF WILLIAM M. BYRNE TO BE UNITED STATES DISTRICT JUDGE FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, and in accordance with the rules of the committee, I desire to give notice that a public hearing has been scheduled for Tuesday, December 12, 1950, at 10:30 a. m., in room 424, Senate Office Building, upon the nomination of Hon. William M. Byrne, of California, to be United States district judge for the southern district of California. Judge Byrne is now serving under a recess appointment. At the indicated time and place all persons interested in the nomination may make such representations as may be pertinent. The subcommittee consists of the Senator from Nevada [Mr. McCARRAN], chairman, the Senator from Mississippi [Mr. EASTLAND], and the Senator from Indiana [Mr. JENNER].

EXTENSION OF RENT CONTROL

The Senate resumed the consideration of the joint resolution (S. J. Res. 207) to continue for a temporary period certain provisions of the Housing and Rent Act of 1947, as amended.

Mr. LUCAS. Mr. President, yesterday after the Senator from Illinois left the Chamber there was colloquy between the Senator from South Carolina [Mr. MAYBANK] and other Senators with respect to a unanimous-consent agreement as to when the Senate should vote on the rent-control resolution.

Mr. MAYBANK rose.

Mr. LUCAS. I yield to the Senator from South Carolina.

Mr. MAYBANK. Mr. President, I ask unanimous consent that the vote on the rent-control resolution and any amendments thereto be taken at 1 o'clock on Thursday next, and that the time prior to the vote be divided between the Senator from Ohio [Mr. BRICKER] and the chairman of the committee; and, of course, that no amendments not germane shall be considered.

The PRESIDENT pro tempore. Is there objection?

Mr. KNOWLAND. Mr. President, I do not intend to object to the unanimous-consent request. However, I ask that the request be amended so that on any amendment which is presented there shall be opportunity for at least 5 minutes' debate on each side, so that we shall not be voting on amendments without knowing what is contained in them.

Mr. MAYBANK. Mr. President, I will make the hour 2 o'clock, because I know that the distinguished Senator from California [Mr. KNOWLAND] has in mind a situation which the Senator from Washington [Mr. CAIN] intends to discuss.

Mr. KNOWLAND. That still does not take care of the situation. Sufficient time is needed for debate. Six or seven amendments might be offered. I do not want the Senate to be placed in a position of voting on amendments without at least a brief explanation.

Mr. MAYBANK. I am glad to modify my unanimous-consent request accordingly.

Mr. WHERRY. Mr. President, the Senator from Nebraska would have offered the suggestion made by the Senator from California if he had been on his feet and had been recognized. That is one of the standard requirements in connection with such a unanimous-consent request. I think it is a good suggestion.

Mr. MAYBANK. Mr. President——

Mr. WHERRY. Just a moment. I question, however, if 5 minutes is sufficient time. We have had a great deal of difficulty with allowing only 5 minutes' debate. I do not know that there will be need for any time. I do not know whether any further amendments will be offered.

Mr. MAYBANK. I know of none except the so-called California amendment.

Mr. WHERRY. I wonder if the distinguished Senator will amend his request so that the time on each side will be not more than 10 minutes. Then no one can complain.

Mr. MAYBANK. Mr. President, I accept the suggestion.

Mr. WHERRY. And the hour is 2 o'clock?

Mr. MAYBANK. Two o'clock.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from South Carolina as modified?

Mr. WHERRY. As I understand, the time between 12 and 2 is to be equally divided.

Mr. MAYBANK. That is correct.

Mr. WHERRY. An hour for each side.

Mr. MAYBANK. There would not be an hour for each side if there should be a quorum call. However, whatever time there is is to be equally divided, and controlled by the Senator from Ohio [Mr. BRICKER] and the chairman of the committee. I suggest the Senator from Ohio because he is a member of the Banking and Currency Committee.

Mr. WHERRY. I have no objection.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from South Carolina? The Chair hears none, and it is so ordered.

The unanimous-consent agreement was subsequently reduced to writing, as follows:

Ordered, That on the calendar day of Thursday, December 7, 1950, at the hour of 2 o'clock p. m., the Senate proceed to vote, under the limitation of debate hereinafter provided, upon any amendment or motion (including appeals) that may be pending or that may thereafter be proposed to the joint resolution (S. J. Res. 207) to continue for a temporary period certain provisions of the Housing and Rent Act of 1947, as amended, and upon the final passage of the said joint resolution: *Provided*, (1) That after said hour of 2 o'clock p. m., debate upon any amendment or motion (including appeals) and upon the joint resolution itself, shall be limited to not exceeding 20 minutes, to be equally divided and controlled, respectively, by the mover of any such amendment or motion and the chairman of the Committee on Banking and Currency, Mr. MAYBANK; (2) that no amendment or motion that is not germane to the subject matter of the said joint resolution shall be received; and (3) that no vote on any amendment or motion (including appeals) proposed to the said joint resolution shall be had prior to the said hour of 2 o'clock on said day.

Ordered further, That on said day of Thursday, December 7, the time between 12 o'clock noon and 2 o'clock p. m., shall be equally divided between those favoring the joint resolution and those opposed thereto, and controlled, respectively, by Mr. MAYBANK and Mr. BRICKER.

ARREST OF WITNESSES WHOSE TESTIMONY IS REQUIRED BY SPECIAL COMMITTEE TO INVESTIGATE INTERSTATE CRIME

Mr. CAIN obtained the floor.

Mr. KEFAUVER. Mr. President, will the Senator yield?

Mr. CAIN. I yield.

Mr. KEFAUVER. I ask unanimous consent, without the Senator from Washington losing the floor, that the motion entered by me yesterday to reconsider the action on the vote to refer Senate Resolution No. 368 to the Committee on the Judiciary be acted upon at this time.

The PRESIDENT pro tempore. Is there objection?

Mr. LUCAS. Mr. President, I have had occasion to look into this question overnight. This is too serious a matter to act upon at this particular time. I want it distinctly understood that I am not in any way attempting to obstruct the determination of the special committee ultimately to find out just where these crooks are. I undertake to say, as a result of what I have seen from examining the resolution and examining the authorities, that what is proposed is that the Senate arrest a man without any subpena ever being served upon him. That is exactly what is attempted, and not even upon a prima facie case. On the strength of the statement that a man cannot be found, it is proposed that the Senate proceed to arrest him. That is a serious question, and reluctantly I must object to the unanimous-consent request.

The PRESIDENT pro tempore. Objection is heard.

Mr. KEFAUVER. Mr. President, I wonder if we could fix a time to act upon the motion. We have hearings scheduled, and it is necessary for us to make every effort to find these witnesses, in order to proceed with the hearings. Our hearings would be very incomplete, and our report to the Senate would be incomplete unless we had the benefit of their testimony. I am anxious to dispose of the motion one way or the other. I do not care to debate it. I think the statement in the RECORD yesterday should amply satisfy anyone as to the precedents in the matter.

Mr. LUCAS. Mr. President, at the appropriate time I shall have something to say about the precedents. I do not think there is any precedent for what is attempted on the part of the committee headed by the Senator from Tennessee. If the Senator from Tennessee desires to follow the procedure which I think is absolutely essential, proper, and safe from the standpoint of the integrity and dignity of the Senate, as well as the precedents of the Senate, and if he will allow this subject to be referred to the Committee on the Judiciary with directions to report back within, say, 3 or 4 days, I shall be willing to abide by the decision of the Judiciary Committee on this question after the committee has studied it.

I say again, as I said yesterday, that in my judgment, before we go off on a wild-goose chase of this character, without any precedent whatever heretofore in the Senate of the United States for such action as is proposed, a standing committee, the Judiciary Committee in this case, which has the power to make a determination of this kind, should be called upon to act.

I merely make that statement, Mr. President. I myself desire to consider the question further.

I repeat, that I would abide by the action of the committee, if the Senator from Tennessee is agreeable to having the resolution go to the Judiciary Committee, with directions to the Judiciary Committee to report back within a reasonable length of time what it feels should be done. It is my understanding, however, that no one outside the committee has been consulted about the matter; not even the Sergeant at Arms of the Senate knew anything about what the resolution would compel him to do. Perhaps he should not have known anything about it. Perhaps it is not within the realm of the committee to confer with anyone on the subject. But certainly I, as majority leader, did not know anything about the matter until it was brought up on the floor of the Senate. I do not know of anyone else who knew anything about this very important resolution. So I still am constrained to object.

Mr. SALTONSTALL. Mr. President, will the Senator from Tennessee or the Senator from Illinois, if he has the floor, yield for a question?

The PRESIDENT pro tempore. The Senator from Washington [Mr. CAIN] has the floor.

Mr. SALTONSTALL. Will the Senator from Washington yield so I may ask a question of the Senator from Tennessee?

Mr. CAIN. If I may do so without losing the floor, I shall be glad to yield.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

Mr. SALTONSTALL. Mr. President, I happened to be sitting temporarily in the chair of the minority leader yesterday when the Senator from Tennessee brought up the subject. Because of the character of the resolution it was particularly interesting to me. As I understand, if on the recommendation of the special committee the resolution is adopted, it will create a precedent in the Senate in that it will permit the Senate to order the Sergeant at Arms to arrest and bring before a special committee of the Senate a man who has not been found by the committee and has not been summoned. That case would be different from that of a man who had been summoned and either refused to testify or refused to come before the committee in answer to the subpena.

The request now made, as I see it, would stretch the situation very considerably. Let me give an illustration. Suppose, for instance, a subcommittee of the Senate Committee on the Judiciary had only sufficient money to employ two investigators, and they were endeavoring to bring a certain individual before the committee. As an illustration we will use my own name, because I do not want to bring in the name of anyone else. Suppose there were 10 Leverett Saltonstalls within the United States. Let us suppose the subcommittee did not have sufficient funds, or did not have time to send out men to find the Leverett Saltonstall it was desired to bring before the committee. Let us assume that a resolution of the kind in question were adopted, which would permit the Sergeant at Arms either to employ a great number of men—which he will not do—or try to obtain the help of the FBI in bringing the proper individual before the subcommittee. That would mean that possibly an innocent man, who may never have known that the Senate subcommittee wanted him, would suddenly find an FBI man in his house with a summons, who would shackle him to himself and bring him to Washington.

Mr. President, it seems to me a question of this nature should be gone into with a great deal of care. In my opinion, there is a way out of the situation if the Senator from Tennessee wants to use it. The resolution, as I see it, as it has been read to me and as I have read it casually, would permit the special committee of which the Senator from Tennessee is the chairman, to request the aid of the various departments of the Government.

If the members of the special committee feel that the FBI perhaps would not undertake to act on the order of the special committee alone, it seems to me the Senate in this case could very well adopt a Senate order requesting the FBI to assist the special committee to find the 10 persons who we are informed are not particularly desirable citizens. If the special committee wants that done, it seems to me it would be perfectly proper for the Senate to adopt such an order without further consideration by a full committee. But if the special committee contemplates having the Sergeant at Arms, through the FBI, summon before the committee citizens who may never have heard of the summons and may never have heard anything about what the special committee of the Senate is doing, then we will be taking a long step toward losing our civil rights, and away from protecting private individuals against seizure and against personal arrest.

Mr. KEFAUVER. Mr. President, will the Senator from Washington yield?

The PRESIDENT pro tempore. Does the Senator from Washington yield to the Senator from Tennessee?

Mr. CAIN. Certainly.

Mr. KEFAUVER. The observation by the distinguished Senator from Massachusetts has gone very far afield, in its application to the facts in this particular case. In the first place there are ample precedents for what is sought by the resolution. The Senate on many, many occasions, which I cited yesterday—and the Cunningham case is directly in point—has ordered that witnesses be arrested and brought before a committee of the Senate to answer questions and give testimony. So there is no question about the precedents. As a matter of fact, it must be clear that the right to bring in a witness under circumstances of this kind is inherent in a Senate committee if it is going to function in an investigatory capacity at all. Such a right has been recognized and exercised ever since the origin of the Senate of the United States.

The second point is that the Senator from Massachusetts says such action might violate the civil rights of some one. The statement is containd in the report, and the members of the special committee certify to the statement, that every human means has been employed to try to find these particular witnesses. Subpenas have been issued requiring them to come before the special committee to testify. The press and the radio have been asked to publicize their names over the Nation and to try to secure for us information as to where the individuals in question are. We have had members of their families come before the com-

mittee in order to try to obtain information from them as to the whereabouts of the witnesses. So there is no possibility whatsoever that these persons do not know that they are wanted to appear before a Senate special committee. They have not been at their usual whereabouts, their homes, their places of business. They have secreted themselves so it is impossible to reach them by the ordinary process of the service of subpenas.

If a subpena is placed in the hands of an officer, which is the way such things are usually done, and that officer is in New York, whereas the witness the subcommittee is trying to find is traveling around in California, it is impossible to send the man with the subpena to the place where the witness is who is wanted. But after every effort has been made to endeavor to find the witness, if a warrant for his arrest is issued, that warrant can be given to a class of officers, that is to all the marshals or to the Secret Service, or certain law enforcement officers of the Federal Bureau of Investigation, so they can arrest, under the order of the Senate, the person required, and hold him for the Senate committee. Such an order of arrest can be issued to a certain class of law enforcement officers, officers who are located in all parts of the United States, and in the place where the witness can be found.

Mr. President, the matter resolves itself down to this: That the individuals in question are the key witnesses in a certain part—indeed, the main part—of the inquiry particularly involving wire service around which bookmaking operations take place. If the special committee is not to have the backing of the Senate so it may use the facilities and the enforcement division of the Department of Justice to enable it to try to secure these witnesses and bring them before the special committee to testify, then the order of the Senate to the special committee to make an investigation simply cannot be carried out.

Mr. President, what is now taking place is, in my opinion, a delaying tactic. The precedents are clear, it seems to me, for anyone who will read them. If the special committee is to continue with its investigation, I think it is necessary for it to have such action as it requests taken by the Senate rather than having a long discussion before the Committee on the Judiciary, with delays, and perhaps adjournment of Congress before action is taken. In such event the hearings which have been scheduled will have to be postponed.

Mr. SALTONSTALL. Mr. President, will the Senator from Washington yield so I may ask one more question?

Mr. CAIN. I yield.

Mr. SALTONSTALL. I shall not debate with the Senator from Tennessee about the Cunningham case because I should like to look into it more carefully. But will the Senator answer my question as to why it would not be practical to follow the suggestion I made with respect to the Senate adopting a specific order with relation to this specific case, supporting the special committee's position in requesting the FBI to seek the individuals in question, which is essentially what the Senator from Tennessee is trying to have done or wants to have done through the method he has proposed? Such an order would create no precedent and would place the full Senate support behind the special committee's request that the FBI help the special committee. Why would that not be a practical way of acting?

Mr. KEFAUVER. Mr. President, I will say to the distinguished Senator that if the FBI heard that a witness was, let us say, in Philadelphia, or in some other city, on a certain day, and if the marshal in that city did not have the power to arrest the individual and hold him until we could have a subpena served on him to bring him before the special committee, if the individual would simply go to some other city, we would be able to accomplish nothing in the end. Unless the enforcement officer has the power to hold a witness for the purpose of interrogation by the special committee, we would be able to accomplish nothing. I can tell the Senate, on my own word, that every human effort has been made to serve subpenas on the particular witnesses who are wanted and to ascertain their whereabouts.

I do not think there is any possibility of anyone confusing these particular witnesses with anyone else of the same name, because they are well described and they are very well known.

Mr. LANGER. Mr. President, will the Senator yield to permit me to ask a question?

Mr. CAIN. I am pleased to yield to the Senator from North Dakota.

Mr. LANGER. I should like to know what the objection of the Senator from Tennessee is to the suggestion made by the distinguished Senator from Illinois that the resolution be referred to the Judiciary Committee, with instructions to report to the Senate by Tuesday, let us say. I should like to know what the objection of the Senator from Tennessee is to that suggestion.

Mr. KEFAUVER. I have no objection to having the Judiciary Committee consider the resolution, except that anyone who reads the opinions must realize the inherent right of the Senate. It must be very clear to all of us who read the opinions that this power is one which the Senate has, and that the Senate has used.

The objection I have is to the delay which would be caused. We have hearings scheduled in various parts of the country where these witnesses are key figures. I would hate to see the hearings delayed 2 or 3 weeks, in order for the resolution to be referred and reported in the way suggested.

Mr. LUCAS and Mr. CHAVEZ addressed the Chair.

The PRESIDENT pro tempore. Does the Senator from Washington yield; and if so, to whom?

Mr. CAIN. I am pleased to yield first to the majority leader.

Mr. LUCAS. Mr. President, following the statement made by the Senator from Tennessee, I wish to assure the Senate that this is not a delaying action. I have no more use for the crooks the Senator is trying to find than he has. He will find crooks throughout the United States; his committee will be functioning for a long time.

I noticed an article in the morning newspaper in regard to an incident which occurred in the Senator's section of the country, namely, in Mississippi, where someone held up some gamblers and took $25,000 or $50,000 away from them, and then escaped into Tennessee. It is obvious that it will be possible for this special committee to continue to function from now until virtually the end of time, because there always have been crooks, and undoubtedly there will continue to be for an indefinite time in the future.

So I am in favor of having the Senator and his special committee find out the crooks; but I am also somewhat disturbed about the method proposed to ascertain who the crooks are and where they are.

Mr. President, certainly there cannot be any harm in having a standing committee of the Senate, if you please—the Judiciary Committee has been suggested by the able Senator from North Dakota—look carefully into the precedents, to determine whether the Senate would be pursuing the proper course, under the resolution.

In the course of his remarks yesterday, the Senator from Tennessee cited the case of McGrain against Daugherty. I have had an opportunity to examine that case, overnight. In that case the witness was served with subpenas on two different occasions, but in each instance he failed to appear. The witness offered no excuse for either failure to appear. The general conduct on the part of the witness gave the Senate proper and substantial grounds to use its power of arrest to bring the witness before it.

In the case of Barry versus United States ex rel. Cunningham, which was also cited by the Senator from Tennessee, a set of facts different from those we now have before us was presented. In that case the witness had testified once before a Senate subcommittee, but had refused to answer certain inquiries bearing upon the investigation. That was in the Vare case. Again the Senate had sufficient and proper grounds to employ its power of arrest, for the witness had displayed a contemptuous attitude before a Senate subcommittee.

In other words, in both the cases cited, as I understand, the witnesses had appeared. In one case, the witness subsequently refused to answer; in the other case, the witness subsequently refused to appear before the committee. Under those circumstances, in each case the Senate ordered an arrest. I have only casually examined those two cases, Mr. President; and those are the two cases which are cited as precedents for the action now proposed.

I have consulted the Parliamentarian of the Senate, who has been our Parliamentarian for a long, long time. He advises me that there has been absolutely no precedent, so far as the Senate is concerned, for doing what is now proposed.

Under these circumstances, as the able Senator from Massachusetts has pointed out, simply because someone may be

afraid for political reasons that something is going to happen to him if he does not look after these crooks in this particular way, surely we should realize that something most important is involved, namely, the question of whether the Senate is going to set a precedent of this kind. If the Judiciary Committee, a standing committee of the Senate, reports that the step proposed is the one which should be taken, and if all the precedents are in that direction, I will stand with the Judiciary Committee in connection with this matter.

However, in fairness to the Senate, I think this question should be argued carefully and should be looked into carefully by a standing committee, such as the Judiciary Committee.

Mr. President, I would even go along with the suggestion which has been made by the able Senator from Massachusetts. All that is asked for in reality is help from the FBI. Under this resolution it will be discretionary whether these agencies cooperate. However, with the full power of the Senate of the United States back of a resolution asking the FBI to cooperate with this special committee in ascertaining where these men are, certainly that would be all that would be necessary.

When the Senator from Tennessee says that if one of these men were found, they would not have a right to subpena him, let me say that if a FBI man finds one of these men, the Senator from Tennessee need not worry; before the FBI finds the man, the committee will have plenty of time to issue a subpena for him. The FBI does not work in any other way; if they find a man, a subpena for him to appear can be issued.

However, under the procedure here proposed, it would be possible in the future to arrest many an innocent man. That is a dangerous course to pursue, Mr. President. I continue to object.

Mr. LUCAS subsequently said: Mr. President, earlier today the Senate had under discussion the motion presented by the Senator from Tennessee [Mr. KEFAUVER], and, as Senators know, it was finally agreed that the motion be referred to the Committee on the Judiciary with direction that the committee report back to the Senate by Friday of this week at 12 o'clock.

I have a short statement, prepared to be used in connection with the argument, if one was to be made today upon the floor of the Senate. I have used a portion of it, but I think that perhaps for the benefit of the Committee on the Judiciary it might be well to place the full statement in the RECORD. I ask unanimous consent that following the last remarks I made today upon the question of the reconsideration of the vote taken yesterday on the motion of the Senator from Tennessee [Mr. KEFAUVER], this short statement be placed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR LUCAS ON KEFAUVER RESOLUTION

The resolution which the Senator from Tennessee is insisting that the Senate approve—without any prior study by the Judiciary Committee—directs the Sergeant at Arms to apprehend and arrest certain persons which the Special Crime Committee itself has been unable to locate. In determining what course of action we should take, our major consideration cannot be limited to the question of whether or not the Senate has legal power to approve such a resolution. After long litigation in the courts, it might very well be determined that the Senate has such power.

Our foremost consideration must be this: does this proposed resolution raise important legal problems that deserve the thorough study of the Judiciary Committee? There is no doubt in my mind that it does. No one here would deny that it would be an extraordinary procedure for the Senate to issue warrants at random for the arrest of American citizens. In fact, such a course would very likely violate the Fourth Amendment of the Constitution which provides: "—no warrants shall issue but upon probable cause." In other words, no person can be arrested unless there are substantial grounds justifying his arrest.

Is it not probable that this resolution would raise serious questions under this amendment and also under the fifth amendment which guarantees to every person the right to due process of law? Let me make my position clear. These constitutional questions make it imperative that the Judiciary Committee study this resolution before the Senate as a whole acts upon it.

Supreme Court decisions were cited in yesterday's debate to prove that the Senate has the authority to place these witnesses under arrest. In the final analysis these cases may influence a court in upholding the power of the Senate. But the facts in each of the cases cited are sufficiently different from the case at hand that we could reasonably expect any witness arrested under the authority of this resolution to challenge its legality through a writ of habeas corpus.

In *McGrain* v. *Daugherty* (273 U. S. 135 (1926)), cited in yesterday's debate, the witness was served with subpoenas on two different occasions and failed to appear in each instance. The witness offered no excuse for either failure. The general conduct on the part of the witness gave the Senate proper and substantial grounds to use its power of arrest to bring the witness before it.

Barry v. *Cunningham* (279 U. S. 597 (1929)), another case cited in yesterday's debate, also presents a different set of facts from those we have before us here. In that case, the witness had testified before a Senate subcommittee but had refused to answer certain inquiries bearing upon that investigation. (The matter being investigated was the primary election expenditures of William S. Vare, Senator-elect from Pennsylvania.) Again the Senate had sufficient and proper grounds to employ its power of arrest. The witness had displayed a contemptuous attitude before a Senate subcommittee.

The statement in the Cunningham case to the effect that an arrest can be ordered although a subpena has not been previously served or disobeyed, must be confined in its meaning to the facts which the court had before it. In all other respects it is dicta. In that case, a subpena had at one time been served and the witness refused to give certain testimony. The court was not faced with the problem raised by this resolution which involves persons who have never at any time been brought under a committee's jurisdiction.

From these cases it could be argued that the power of the Senate to arrest a person turns upon the whole course of the person's general conduct in relation to the committee's investigation. As I pointed out earlier, our courts might very well uphold the Senate's power, but it is also true that many of these persons may seek—and possibly obtain—writs of habeas corpus. They would argue that there is no constitutional basis for a warrant of arrest, that there is no course of conduct on their part to show that they would not have willingly responded to an ordinary subpena if one had been served.

It is not at all improbable that the approval of this resolution—rather than helping the Crime Committee—would in fact hinder it by involving it in extended litigation. This is one of the problems that should be considered by the Judiciary Committee.

Another question that should be considered by this committee is this: What is to be gained by the adoption of this resolution? The special Crime Committee is requesting the Senate to arrest these witnesses because it has been unable itself to locate them in order to serve subpenas. It would not seem very likely that the sergeant-at-arms would be able to locate these witnesses to arrest them any easier than the subcommittee could locate them to serve them with subpenas.

Either course of action would have identical results. If they are served with subpenas and fail to appear, they can be apprehended and punished by a year's imprisonment under section 192 of the general and permanent laws of the United States Senate. If these witnesses would refuse to appear in response to a subpena, they would by all probabilities refuse to testify if they were arrested by the sergeant-at-arms and brought before the subcommittee.

In this case they would also be punished under section 192 by imprisonment for as long as a year.

In short, the special Crime Committee, proceeding under its own powers, without the aid of the sergeant-at-arms, may very well attain every bit as much as it would accomplish by this resolution. Finding the witness would present the same problems; the willingness of the witness to testify would be the same, and the punishment of an uncooperative witness would be the same.

To summarize: This resolution should by all means remain with the Judiciary Committee where a thorough consideration can be given to the many questions which it raises. The Judiciary Committee can take into consideration the constitutional issues involved. It can consider the effects which protracted litigation, likely to arise under this resolution, would have upon the proper operation of the Crime Committee. It can consider also whether anything is to be gained by the adoption of a course of action which by all general appearances will attain nothing more than can be attained under the existing powers of the Crime Committee.

The Judiciary Committee, in studying this resolution, can also determine whether or not its approval would impair the prestige and influence of the Crime Committee by serving as an admission that it is unable to subpena its witnesses and punish them if they fail to appear. These problems are grave enough to justify the considered action of the Judiciary Committee, and they are serious enough to dissuade the Senate from a snap judgment on a matter of great importance.

It should be remembered that the Parliamentarian who has been here many years advises there is no precedent for such a resolution. Mr. President, I want the witnesses to appear. They should do so without attempting any extraordinary procedure—but the mere fact they are presumably evading service presents a serious question whether they can be arrested by the Sergeant at Arms before any summons has been served upon them.

Mr. President, I submit again that I shall abide by the decision of the Judiciary Committee.

Mr. CHAVEZ. Mr. President, will the Senator yield to me?

Mr. CAIN. Yes; if I may do so, I shall be glad to yield to the Senator from New Mexico.

Mr. CHAVEZ. I thank the Senator from Washington.

Mr. President, I think the difficulty is that the Senate does not realize exactly what power it has. Now we are begging for mercy, so to speak, in regard to what should be done in this connection.

I agree with the Senator from Tennessee that these persons should be brought before the committee. The Senator from Tennessee speaks about enforcement agencies. After all, Mr. President, the Senate has en enforcement officer, namely, its Sergeant at Arms. So what is the trouble? Why should the FBI be authorized to arrest someone, when the Senate of the United States itself simply has to order its enforcement officer to arrest the persons referred to? I assure the Senator from Tennessee that that procedure is sufficient. If the Senator from Tennessee himself does not answer a quorum call the second time, and if a quorum is not developed, if another Senator moves that the Sergeant at Arms be instructed to bring in the Senator from Tennessee, the Senator from Tennessee will be brought in.

I think the Senate has full power; but now we are begging, for some reason or other, to have some other enforcement power applied.

What has the Senator from Tennessee asked of our enforcement officer, our Sergeant at Arms, who has been constitutionally selected?

Mr. KEFAUVER. That is what the resolution asks, namely, that the Sergeant at Arms be instructed to proceed in this way.

The PRESIDENT pro tempore. Does the Senator from Washington yield to the Senator from Tennessee?

Mr. CAIN. Mr. President, under the circumstances I should like to have unanimous consent to continue to yield until the question now at issue has been resolved to the satisfaction of the Senators concerned.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. KEFAUVER. I may say to the distinguished Senator from New Mexico that the resolution requests that the Sergeant at Arms of the Senate be ordered to issue warrants for the arrest of these particular persons.

Mr. CHAVEZ. That is the point I am trying to make. If the Sergeant at Arms, under the authority of a motion, has the right to bring the Senator from Tennessee to the floor of the Senate, why does not the Sergeant at Arms, under a resolution adopted by the Senate, have the right to execute the order of a committee?

Mr. KEFAUVER. That is what I have been asking for. I appreciate the contribution made by the Senator from New Mexico.

Mr. CHAVEZ. I think all this procedure is foolish, and we are losing time. I believe that all that the Senator from Tennessee and his special committee or any other committee has to do is to order the Sergeant at Arms, the enforcement officer for the orders of the Senate, to bring them in.

Mr. KEFAUVER. Will the Senator agree that has to be done by means of a resolution?

Mr. CHAVEZ. I do not think so. My good friend who now is presiding over the Senate, the distinguished President pro tempore, was brought into the Chamber on one occasion, contrary to what I thought was correct; but, nevertheless, he was brought in. Does the Senator from Tennessee mean to tell me that if the President pro tempore can be brought into the Senate Chamber, the Sergeant at Arms cannot bring before the Senate a little 2-by-4 crook who has been getting away with something?

Mr. KEFAUVER. Of course, the Senator is entirely correct. That is the point I have been trying to present; but the majority leader makes objection to it.

In the Cunningham case, which has been referred to, where a witness was wanted in connection with a Pennsylvania election, the subpena on the witness had expired, and the resolution was to cite him for contempt because he had previously refused to testify. However, the Senate of its own motion disregarded the contempt charge, and ordered the issuance of a warrant to arrest him and bring him before the bar of the Senate. On a writ of habeas corpus to question the constitutionality of that procedure, the court unanimously held that, of course, the Senate has a right to issue an order to its own Sergeant at Arms to arrest anyone it wishes to question.

Mr. CHAVEZ. I do not wish to go into a nice legal question. I think the Senate can now order its Sergeant at Arms to bring these persons before the Senate.

Mr. KEFAUVER. That is exactly what we want to have done.

Mr. CHAVEZ. What has the committee done about that? Has the committee ordered the Sergeant at Arms to do so, under the authority it has to investigate?

Mr. KEFAUVER. We have filed a resolution asking that the Sergeant at Arms be ordered to bring them in.

Mr. CHAVEZ. But why is it necessary that the Senate now adopt a resolution of that sort, when constitutionally the Senate has appointed a Sergeant at Arms to carry out its orders?

Mr. KEFAUVER. Mr. President, if there is objection to bringing the matter before the entire membership of the Senate, for the purpose of receiving the necessary authority, then certainly there would be strenuous objection made if the committee itself were to request the Sergeant at Arms to proceed. We therefore thought we were doing the proper thing in bringing the issue before the Senate and asking the Senate to assist the special committee by directing the Sergeant at Arms to arrest the persons named in the resolution and to bring them before the committee.

Mr. CHAVEZ. It is my opinion, though I shall leave the matter to the decision of the Parliamentarian and others who may wish to look into the legal aspects, that if any duly authorized committee of the Senate has authority to do something, and if things which the committee orders done are not done, the committee, without a resolution, may give appropriate orders to the Sergeant at Arms. I should like to inquire whether the Senator from Tennessee has taken this matter up with the Sergeant at Arms, and whether he has said to him, "Bring those bums in"?

Mr. KEFAUVER. We have presented the matter to the Senate through a resolution.

Mr. LUCAS. Mr. President, I demand the regular order.

The PRESIDENT pro tempore. The regular order is demanded. The Senator from Washington has the floor, and he will proceed.

Mr. KEFAUVER. Mr. President, will the Senator from Washington yield for a question to be addressed by me to the majority leader?

The PRESIDENT pro tempore. Does the Senator from Washington yield for that purpose?

Mr. CAIN. I yield to the Senator from Tennessee for that purpose if I may do so without losing the floor.

The PRESIDENT pro tempore. The Senator from Washington yields to the Senator from Tennessee.

Mr. KEFAUVER. Mr. President, will the majority leader join in a request that the Committee on the Judiciary report back to the Senate on this matter by Friday? We are very anxious to have the question determined one way or the other.

Mr. LUCAS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Washington yield to the Senator from Illinois?

Mr. CAIN. I yield.

Mr. LUCAS. It is my understanding that the chairman of the Judiciary Committee will return to the capital tomorrow, Wednesday. I should therefore think that Friday would be satisfactory, and I would not want it made later than next Monday. Other members of the Judiciary Committee are present, and I should like to have a statement or statements from them.

Mr. WHERRY. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. Does the Senator from Washington yield to the Senator from Nebraska?

Mr. CAIN. I am glad to yield.

Mr. LUCAS. I think Friday would be agreeable. The chairman of the Judiciary Committee is not present. Does the Senator from Mississippi think that would allow sufficient time?

Mr. EASTLAND. I think Tuesday would be better.

Mr. LUCAS. Perhaps we can make it Monday.

Mr. EASTLAND. I suggest Tuesday. The committee generally meets on Monday.

Mr. KEFAUVER. The witnesses named in the resolution are needed for the hearings to be conducted next week.

Mr. LUCAS. Mr. President, when the Senator from Tennessee speaks of getting the witnesses for hearings to be conducted next week, I recall that his statement that he has used every means at his command, through the investigators on the staff of the committee, to try to find these witnesses, and that he has been unable to locate them. As I

recall, he stated yesterday that one or two of them were, I think he said, in Mexico. I do not believe the Federal Bureau of Investigation will be able to get its hands on these people immediately. Certainly the Senator from Tennessee is going to be around here a long time, and apparently, the special committee is going to be functioning a long time. I feel sure the special committee will be unable to get its work done by the FBI. The committee will be asking the Senate for additional funds, which will be granted by the Senate at appropriate times, and the committee should do the work. When the committee makes a request, along about February 1, for perhaps $300,000 or $400,000, in order to really get the job done, I am sure the request will be granted. But I am still standing by what I said.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. CAIN. After the majority leader has concluded his present observation, I shall be pleased to yield to the minority leader.

Mr. LUCAS. Mr. President, if satisfactory to the Senator from Mississippi, who is a member of the Judiciary Committee, as it apparently is satisfactory to other Members, who have made no objection to it, it will be perfectly satisfactory to the majority leader to have the resolution which is now before the Judiciary Committee reported back, one way or other, by Friday of this week. That would be perfectly satisfactory to me.

The PRESIDENT pro tempore. Is there objection?

Mr. WHERRY. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Nebraska object?

Mr. WHERRY. I want to say I think that would be a very happy solution of this problem. I felt we should comply with the request of the Senator from Tennessee, and that we should require the Judiciary Committee to report its finding, together with whatever recommendations it may deem proper, by Friday of this week.

Mr. KEFAUVER. Mr. President, will the majority leader, in his unanimous-consent request, ask that this be a privileged report, so that we may get final action on the floor of the Senate? I presume it is privileged, anyway.

Mr. LUCAS. That is entirely satisfactory so far as I am concerned. I shall cooperate in whatever the Judiciary Committee does in connection with the submission of its report on Friday. My only request is that the Judiciary Committee shall take a very good look at this procedure.

The PRESIDENT pro tempore. Is there objection?

Mr. CAIN. Mr. President, in partial keeping with what the minority leader has just said, the only happier suggestion I could think of at the moment would be that the Senator from Washington in due time be encouraged and permitted to proceed with his statement.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. CAIN. I yield to the Senator from New Mexico.

Mr. CHAVEZ. Mr. President, I shall raise no objection to the request made by the Senator from Tennessee. The following language of the resolution submitted by the special committee appeals to me:

Resolved, That the President of the Senate issue his warrants commanding the Sergeant at Arms or such persons as may be deputized by him to take into custody the bodies of: Anthony "Tony" Accardo (alias Joe Batters), Patrick James Burns, Murray Llewellyn Humphreys, Rocco Fischetti (alias Ralph Fisher), Charles Fischetti (alias Charles Fisher, Dr. Charles Fisher, Charles Brown, and Ralph Fields), Joseph Sica, Martin M. Hartman, Ben Marden, John Patton, Elmer (Bones) Remmer, Morris Rosen, wherever found, and to bring the said persons before the Special Senate Committee To Investigate Organized Crime in Interstate Commerce in Washington, D. C., then and there to answer such questions pertinent to the matter under inquiry as to the said special committee shall propound.

I emphasize the words "wherever found." I am willing to wait until Friday, but I suggest that the sooner it is authorized, the better.

The PRESIDENT pro tempore. Is there objection?

Mr. KEFAUVER. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state the inquiry.

Mr. KEFAUVER. Is the proviso that the report be made a privileged matter included in the unanimous-consent request?

The PRESIDENT pro tempore. The Chair will say that if the unanimous-consent request is granted, the motion to reconsider would be withdrawn.

Mr. KEFAUVER. Mr. President, I refer to the report of the Judiciary Committee. Is it to be considered a privileged matter when it is submitted on Friday?

Mr. LUCAS. Mr. President, I have no objection to that, because I think that whatever the Judiciary Committee does, one way or other, will be followed by the Senate. It will not take very long to make a determination of it. I should have no objection to including that particular suggestion in the unanimous-consent request.

Mr. WHERRY. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state the inquiry.

Mr. WHERRY. Is it not necessary to include in the unanimous-consent request a provision which will determine what is to be done with the motion to reconsider?

Mr. KEFAUVER. Mr. President, if and when the unanimous-consent request is agreed to, I shall withdraw the motion to reconsider.

The PRESIDENT pro tempore. The motion to reconsider is withdrawn. Is there objection?

Mr. KEFAUVER. The report then, as I understand, will be considered to be privileged. Am I correct in that understanding?

The PRESIDENT pro tempore. The Chair is advised by the Parliamentarian that the report would be privileged.

ORDER OF BUSINESS

Mr. WHERRY. Mr. President, will the Senator yield for a question?

The PRESIDENT pro tempore. Does the Senator from Washington yield to the Senator from Nebraska for a question?

Mr. CAIN. I am glad to yield.

Mr. WHERRY. I should like to address my question to the distinguished majority leader. In view of the fact that we now have a unanimous-consent agreement to vote upon the rent-control measure on Thursday at 2 o'clock, it seems likely that, if the debate on the bill follows the usual course, we shall complete it sometime before 2 o'clock Thursday. The distinguished majority leader recently listed several bills which he said might be taken up in the event of a lull in the work of the Senate. I have a list of those measures. Will the distinguished majority leader say at this time that if there is a lull he expects to take up any of these measures, and whether, if he does, he will move to take them up in the order in which they appear on the list? I desire this information in order that I may advise Members on this side of the aisle and make it possible for them to be on the floor if and when any one of those measures is taken up. Does the majority leader feel that he is now ready to say which of those bills he will take up in the event of a lull in the debate on the pending measure?

Mr. LUCAS. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. Does the Senator from Washington yield to the Senator from Illinois?

Mr. CAIN. I have formed the habit of yielding, so I see no point in not yielding to the distinguished majority leader.

Mr. WHERRY. I thank the Senator for his courtesy in having yielded to me.

Mr. LUCAS. Mr. President, we are very much interested in Calendar Order No. 2265, the bill (H. R. 5967) to amend the Interstate Commerce Act, as amended, to clarify the status of freight forwarders and their relationship with motor common carriers; and we are also interested in Calendar Order No. 2540, the bill (H. R. 483) to extend the time limit within which certain suits in admiralty may be brought against the United States. In fact, we are interested in all the bills contained on the list which was recently placed in the RECORD. I cannot tell exactly the order in which they will be called up, which will depend upon who is sponsoring a measure and whether he is available at the particular time when a lull occurs in the debate. But I have given notice that we shall take up all these bills, and any one of them is likely to be taken up.

Mr. WHERRY. I thank the distinguished majority leader. I think that ought to be sufficient notice to all Members that any one of those bills may be brought up at any time.

Mr. LUCAS. Furthermore, I may say there will also be quorum calls before the bills are taken up.

Mr. WHERRY. I thank the Senator from Illinois, and I also desire to thank the Senator from Washington for his courtesy in yielding so many times.

Mr. CAIN. The minority leader could not be more welcome.

EXTENSION OF RENT CONTROL

The Senate resumed the consideration of the joint resolution (S. J. Res. 207) to continue for a temporary period certain provisions of the Housing and Rent Act of 1947, as amended.

Mr. CAIN. I send to the desk an amendment to Senate Joint Resolution No. 207, and I introduce a joint resolution, and ask that they be printed and lie on the table.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The amendment offered by Mr. CAIN to Senate Joint Resolution No. 207 was ordered to be printed and lie on the table.

The joint resolution (S. J. Res. 211) to amend the Housing and Rent Act of 1947, as amended, with respect to resolutions of local governing bodies, introduced by Mr. CAIN, was read twice by its title, and ordered to lie on the table.

Mr. CAIN. Mr. President, the amendment and the joint resolution deal with the same subject and are identical in language.

My hope is to improve the joint resolution (S. J. Res. 207). The amendment, if adopted, would make certain that a pending and great injustice will not be imposed on millions of Americans.

I shall, however, vote against the joint resolution (S. J. Res. 207) even though my amendment is adopted by the Senate. My own considered view is that no reasonable need exists to require the passage of Senate Joint Resolution 207. Federal rent controls will not expire on December 31, 1950, as some Senators seem to think. Every city in America which is now under Federal rent controls can extend those controls for the first 6 months of 1951, if that is its wish. There will be ample time and opportunity for the new Congress to consider the need of further Federal rent controls. In my opinion, the passage of Senate Joint Resolution 207 will serve no useful purpose of any kind, character, or description. It would do much more harm than good. The Senator from Washington is against Senate Joint Resolution 207 in any form.

Should my view prevail, and Senate Joint Resolution 207 be defeated, the Senate then ought to pass the joint resolution I have just introduced. I think that both the amendment and the joint resolution will be approved without a dissenting vote.

Every Senator has an interest in the amendment and in the resolution. Let me attempt to arouse the curiosity of the Senate and define its interest by reading some testimony which appears on pages 22 and 23 of the hearing on Senate Joint Resolution 207 before the Committee on Banking and Currency on November 29, 1950.

The question before the committee was the extension of rent control. The first witness who appeared was Mr. Tighe E. Woods by name, and officially the Housing Expediter. Mr. Woods said:

A recent appellate court decision has cast serious doubt upon the validity of resolutions for continued control already passed by some 800 various municipalities. In defining the term "resolution," the United States Court of Appeals for the District of Columbia, in an opinion dated November 24, 1950, involving a decontrol resolution of the city of Los Angeles, stated:

"Congress intended that the resolution described in this statute be a legislative act."

It was further stated that the resolution for decontrol "requires the exercise of legislative power by the governing body of a city."

The court made clear that a simple fact-finding or administrative resolution is not sufficient. The municipalities' actions are legislative and must be clothed with all the requirements for passage of an ordinance. In fact, the court stated that the use of the word "resolution" instead of "ordinance" in the Federal statute is of no importance. In view of the similarity of language in the "continued control" and "decontrol" sections of the act, the question arises whether the communities are not required to act by a legislative process in order to preserve rent control after December 31.

The CHAIRMAN—

The chairman of the committee is the distinguished senior Senator from South Carolina [Mr. MAYBANK]—

The CHAIRMAN. What is that again?

Mr. WOODS. This is new and very serious.

Senator CAPEHART. As a member of the committee that passed that bill, you can tell that judge he did not know what he was talking about, as far as my mind was concerned.

Mr. WOODS. My mind, too, sir.

The CHAIRMAN. That is true, because the congressional debate will clearly show that. As I remember, and it has been a long time ago, we did not go into the connotation of "ordinance" or "resolution," but we went into the question of governing bodies and what laws may govern them, because in some sections cities act by resolutions and in other places they act by ordinances, as I remember. Am I wrong?

I cannot figure that one out now.

Mr. WOODS. We cannot, either.

The CHAIRMAN. The CONGRESSIONAL RECORD might throw some light on this point.

Mr. WOODS. We have every reason to believe that the vast majority of the local governing bodies construed the act, as did this agency, to permit them to take action continuing control by simple resolution, as distinguished from legislative acts attended with the formalities of ordinances. These formalities vary from city to city, depending upon the language of the particular charter, but they generally provide for notice by publication and lapse of a prescribed period of time after notice before becoming effective to permit referendum action, and so on.

While we cannot state that the view of the Court of Appeals for the District of Columbia will be followed by other courts, still we cannot escape the fact that this decision, being the only court of appeals decision on the subject to date, raises serious question as to the validity of all resolutions, both for continued control and for decontrol.

Mr. President, all that Mr. Woods, the Housing Expediter, and the several Senators have said in that testimony, as I understand, is that if the recent circuit court of appeals decision is upheld by the Supreme Court of the United States—and my understanding is that the question is now before the Supreme Court—800 affirmative actions by resolution taken by 800 American communities to extend rent control within their several jurisdictions from December 31, 1950, until June 30, 1951, will be invalid. Mr. President, they will be null and void.

It likewise follows that if the circuit court of appeals decision is upheld by the Supreme Court the hundreds of affirmative resolutions adopted by city councils throughout the country to decontrol their communities, as was the intention of Congress and the President of the United States, through the passage of the Rent and Housing Act of 1950, will be invalid. Such resolutions will become null and void.

It is for that reason I think every Senator, every Member of the House of Representatives, and every American has a real interest in the pending amendment to Senate Joint Resolution 207.

On July 14, 1950, the city council of the city of Los Angeles published a notice advising the general public that in accordance with section 204 (j) (3) of the Housing and Rent Act of 1947 as amended, the city council would hold a public hearing on July 28, 1950, to determine whether or not there existed such a shortage in rental housing accommodations in the city of Los Angeles as to require the continuance of Federal rent control in that city. On July 28, 1950, the city council held the public hearing in accordance with the previously mentioned notice. On the same day the city council adopted a resolution in which the council stated that, as a result of the public hearing held on that day it found that there no longer exists such a shortage in rental housing accommodations as to require rent control in the city of Los Angeles. The resolution was forwarded to Tighe E. Woods, as Federal Housing Expediter, who received it on August 2, 1950.

Shortly after receiving the resolution the Housing Expediter announced he would terminate rent control. Thereupon a series of suits were instituted against the Housing Expediter to enjoin him from terminating Federal rent control in Los Angeles. The district court in Washington, D. C., the appellate court, and the Supreme Court, and the municipal court in Washington, D. C., all denied the sought-for injunction.

Thereupon the Expediter, Mr. Tighe Woods, wrote the Los Angeles city council, stating he would not honor the resolution and remove controls from Los Angeles on the ground that the required finding of fact made by the city council as to the availability of rental housing accommodations in the city could not in his opinion be reasonably said to flow from the evidence adduced at the public hearing held by the city council prior to adoption of the resolution.

Upon the Housing Expediter's announced refusal to terminate rent control in Los Angeles—in my opinion to evade the law of the land as written by Congress and signed by the President of the United States—a suit was instituted against Woods in the district court in Washington, D. C., by a Los Angeles taxpayer, seeking a mandatory injunction which would compel the Housing Expediter to terminate rent control in Los Angeles in accordance with its city council's resolution, and, parenthetically, in keeping with the law of the land. The district court granted the mandatory injunction, and an appeal was taken to the circuit court of appeals. That court reversed the judgment of the district

court and ordered the complaint dismissed on the ground that the Los Angeles city council should have made its finding of fact in the form of an ordinance rather than in the form of a resolution, holding that the language "resolution" in the Housing and Rent Act is not controlling but that the city council is exercising a legislative power which must be exercised by ordinance.

An appeal from the circuit court decision has been taken to the Supreme Court. Should the decision of the circuit court be sustained, the validity of action already taken by local governing bodies in continuing or terminating Federal rent control in an estimated 1,000 cities throughout the Nation, which have either terminated such controls or continued them until June 30, 1951, by resolution of their governing bodies adopted for that purpose pursuant to section 204 (j) (3) of the Housing and Rent Act of 1947 as amended is endangered.

We are informed that the Housing Expediter has never rejected any of the more than 1,000 resolutions received by him on the ground that they were legislative acts and should be in the form of ordinances and he did not reject the Los Angeles resolution on the ground that it was not in the form of an ordinance. That is pointed out very clearly in the hearings to which I recently made reference. He did not reject the Los Angeles resolution on the ground that it was in the form of a resolution rather than in the form of an ordinance.

Under the decision of the court of appeals the continuation or termination of Federal rent control by local governing bodies pursuant to section 204 (j) (3) of the Housing and Rent Act of 1947 as amended, is held to be an exercise of legislative power. Hence if the decision is correct it follows that the action of hundreds of local governing bodies in continuing or terminating Federal rent control by resolution is illegal and void, the result of which is to leave the status of rent control in these cities in doubt and confusion and render chaotic—I can think of no other properly descriptive term—the legal relations between hundreds of thousands of landlords and tenants in these areas. Also, the cities which have not acted in many instances do not have time to comply with the formal requirements for adoption of an ordinance but can adopt resolutions as the latter are not usually surrounded by such formal requirements.

I notice that the distinguished senior Senator from New Jersey [Mr. SMITH] has an interest in this question. I should like to ask him how many people he thinks would be involved if the present decision of the circuit court of appeals were to be upheld by the Supreme Court? Forty million people, property owners and tenants, would be left in doubt.

For these reasons the junior Senator from Washington—and I feel that we may take it for granted that such action has the approval of every other Senator—submits the amendment to Senate Joint Resolution 207 and urges its adoption. I hope it will be adopted on Thursday of this week. Without the amendment, and if the decision of the appellate court is sustained, property owners and tenants in every area of the country previously decontrolled by local governing body resolutions, as well as those communities who by appropriate resolutions have requested additional control, will find themselves in a most distressing position, which the Congress, in designing the statute, had never intended.

Mr. President, in conclusion I can say only what everyone is aware of, that as a result of considered argument and debate the Congress and the President thought it perfectly proper to provide the cities of this country with the authority, by any legal means within their power, either to decontrol themselves or to continue Federal rent controls for 6 months, beginning on the 1st day of January, 1951. It was never the intention of a single Senator, to my knowledge, to do other than provide some semblance of sovereignty, home rule, and home responsibility to the communities of America. The circuit court of appeals—and, necessarily, as a lay person I do not criticize that action—has by its decision said that the Congress had no such intention, and that the Congress only wanted to permit cities to decontrol themselves or to continue controls by means of city ordinances.

Mr. President, I hope that the question will be satisfactorily taken care of on Thursday, and that my amendment to Senate Joint Resolution 207 will be adopted.

Mr. SMITH of New Jersey. Mr. President, will the Senator yield for a question?

Mr. CAIN. I yield.

Mr. SMITH of New Jersey. I was not quite clear as to the language of the Senator's amendment which, as I understand, is designed to clarify this confusion.

Mr. CAIN. Mr. President, I think that is an important question.

Mr. SMITH of New Jersey. I do not know whether the language is in the RECORD or not. I should like to have the answer.

Mr. CAIN. The answer is that the words of the amendment to the resolution would merely validate all the actions which have been taken by cities either to decontrol themselves or to continue controls for an additional 6 months.

Mr. SMITH of New Jersey. Irrespective of whether the action was in the form of an ordinance or resolution, or what have you?

Mr. CAIN. If the Senator will bear with me, I shall read that part of the amendment which deals with the question:

Provided further, That as used in this act the term "resolution" shall not be construed to be limited to ordinances or other legislative acts, and any resolution heretofore adopted by any local governing body is hereby declared to be effective for the purpose of this section 204 (j) (3) or section 204 (f) (1), whether or not such resolution was legislative in character; and no suit or action shall be brought under section 205 of this act, or any other provision of law, on the basis of any administrative decision or the decision of any court that the resolution described in this act must be a legislative act.

THE WAR IN KOREA

Mr. EASTLAND obtained the floor.

Mr. TAFT. Mr. President——

The PRESIDENT pro tempore. According to the agreement made by the Senate yesterday, the Chair recognizes the Senator from Mississippi. Does the Senator from Mississippi yield to the Senator from Ohio?

Mr. EASTLAND. Mr. President, I am sorry, but I must shortly leave the Chamber.

The PRESIDENT pro tempore. The Senator from Mississippi is recognized pursuant to an agreement made yesterday.

Mr. TAFT. Mr. President, I have been trying to obtain the floor since yesterday afternoon to discuss the matter before the Senate. I shall require considerable time. I do not want to interfere with the Senator from Mississippi.

Mr. EASTLAND. Mr. President, General MacArthur is one of the world's great military leaders, and in my judgment his planning, direction, and conduct of the Korean campaign has been outstanding, against odds, and against unusual conditions which have never before confronted a military commander.

The principal cause of the Korean difficulties is American inadequacies. General MacArthur has had an inadequate number of men, inadequate equipment, and inadequate supplies. There has been too little of everything to perform against every eventuality the mission which was entrusted to him. The fact that he has had too few men, too few weapons, and too little equipment to meet any eventuality, is not his fault. The blame rests upon the shoulders of other people.

Mr. President, it is heartbreaking to see this proud and glorious Nation brought to the sad fix in which we find ourselves today. The difficulties in Korea are not the fault of the American people. They are brought about by the policies of our Government. They are caused by those who preached the Lattimore line—that the Chinese Communists were not Communists but agrarian reformers; that they were not lined up with Moscow; that Chiang Kai-shek was a rascal and a knave; and that we could not afford to dirty our hands with him. This was the prevailing opinion of this Government, and I am frank to say that I think some who preached this line in the Government were Communists, and others were duped by Communists.

It is my judgment that the China policy of the State Department, which dates back several years, is responsible for our sad plight in Korea, and for America's weakened position in the Orient.

Mr. President, it is my judgment that some who preached this line and who followed this policy today occupy honored positions in this Government, and the first thing that must be done is to permit them to resign from the public service. It gains us nothing to win a war by armed might and then lose the victory on the diplomatic front.

The Prime Minister of Great Britain is in Washington upon a mission which, if his purposes are correctly described in

the press, would constitute a Munich which would dwarf into insignificance the agreement between Chamberlain and Hitler at Munich in 1938. It would check off the vast resources of Asia to communism, and would tremendously weaken the United States throughout the world. In fact, if we lose Asia with its vast manpower and resources, the foundation is laid for Communist control of the world. The truth is that if the Communists are permitted to absorb and digest Asia, their conquest of Europe will be simple. The control of Asia will place them 75 percent of the distance on the road to world control for communism. I note that the British and French desire, among other things, to take Communist China into the United Nations, and want us to sacrifice Formosa.

Mr. President, to take Communist China into the United Nations would be like placing a rattlesnake in a playpen with little children, and would raise the crime of blackmail to one of the cardinal virtues of mankind. Communist China, in conjunction with the Soviet Union, is bent upon world conquest. We must recognize this fact and act before she becomes any stronger.

The hour of decision is now upon us, and all we do is talk. We must act at once. There must be general mobilization, and the country must be placed on a war footing. In addition, we must take several definite steps, with or without the assistance of the British.

To begin with, Mr. President, we must realize that Communist China is just as wanton an aggressor as the Soviet Union. She has attacked Tibet. She today murders American boys. She wages war in Indochina, and, in addition, she is building a tremendous army for conquest under the banner of world communism. I note in the press that she is at this time instituting universal military training.

It is the Russian program to use the Chinese millions to conquer the world. We cannot afford to permit this great Chinese army to be so used. We cannot permit the Communists to solidify and stabilize China. Instead, we must fight back. We are in reality at war with her now, and in this extreme emergency we are not doing everything we can do, should do, and must do. The cry is raised that we cannot afford to get boggged down in China and forego our commitments to humanity in Europe, but it would be tragic, Mr. President, if we let the counsel of despair or confusion force us to lose both Europe and Asia. This is the danger we confront, and the time has come for such realism as we have never shown before. If we are not to continue playing directly into the Kremlin's hands we must find a way to catch the Communists in the very traps they have laid for us.

Mr. President, we never intended to commit American troops to an endless ground warfare against the Communist hordes of the Orient. We knew that should Communist China move into Korea our whole military strategy would have to be revised. This is the chance that was taken. The Chinese Communists have moved; our whole military strategy in the Orient has to be revised, and the time to do it is now, without waiting for 62 different nations to submit 62 different interpretations of a new Munich by which to guide us. The American people must understand that with America's future hanging in the balance, with American boys pouring out their lives, with the American people financing with their earnings and savings the struggle to stop the spread of communism in Europe, the time has come for the American Government to stand on its own feet with a realization that it is our destiny with which we gamble.

Mr. President, the truth is that in spite of the staggering defeat we are now suffering in Korea the strength of the Communists' forces that are pitted against our boys has become their greatest weakness. Gen. Lin Piao, who is commanding the North Manchurian Chinese Communist Army, is the only warlord in Communist China, and has concentrated the whole strength of the Chinese Communist Army in Manchuria for this drive.

Likewise, Mr. President, the industrial backbone of the Chinese Communist military power lies in Manchuria, with the largest arsenal of the Orient located at Mukden. Here is the industrial potential, and here are the armed forces of the Chinese Communists now concentrated in Manuchuria in such a way as to provide a perfect opening for the launching of a second front on the Chinese mainland by Chiang's Nationalists troops now stationed in Formosa, supplemented by an American naval blockade of the coast of China and the American air power turned loose to destroy the transportation system of China and the industrial potential which is concentrated in Manchuria. If such a plan were undertaken now the guerrilla potential of southern China would join forces with Chiang and would march northward to balance off the Chinese Communist troops in Manchuria, thus catching them in the very trap they set for us.

Mr. President, I am solemnly convinced that such a plan constitutes the only realistic alternative either to abject surrender, complete withdrawal, or suicidal appeasement.

We must immediately clamp an iron blockade upon the China coast and seal her ports to all commerce with anyone. American air power must attack and destroy Chinese industrial potential and China's transportation system. In fact, she has no highways, but depends upon a thin spread of rail lines to supply her industries and feed and clothe her people. This transportation system can be destroyed by American air power from bases which we now possess. These two things, Mr. President, will do more damage than a great armed invasion of the China land mass. In addition, we must aid Chiang Kai-shek and assist him in returning to the mainland and destroying the Communists. We must aid and help the million anti-Communist guerrillas now in China and thus create havoc and confusion there.

Mr. President, I think it should be said here and now and frankly to the world that any appeasement which would take Chiang Kai-shek's army from the flank of China would be a catastrophe of incalculable proportions. Our European friends must realize that if Russia is permitted to arm China and train and equip an army of 50,000,000 men, Europe will be overrun. Our British friends must realize that American blood is being spilled, American boys are being savagely and brutally murdered, and that our country cannot let Hong Kong control our policies.

The world must realize that America in this hour is not helpless. We have the greatest fleet in the world, and the historical mission of any fleet is blockade. In this instance we have an adversary that is peculiarly vulnerable. With its teeming millions, its lack of self-sufficiency, and its lack of any place to go to attain sufficiency except from the sea, it is a peculiarly vulnerable target of blockade.

Mr. President, I cannot understand why this simple fundamental step has not already been taken. The Chinese Communist Government is at war with the United States, and I cannot understand why this simple fundamental step has not been taken. Moreover, we have millions of allies on the mainland of China, to say nothing of the highest trained army, eager and ready to go to the rescue, to rescue their homeland from a foreign enemy who has played cruelly with them and placed a foreign yoke upon them.

The policy under which our Nation can be brutally attacked by an unprincipled foe without fighting back must cease, and cease immediately.

I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The roll was called, as follows:

Aiken	Hoey	Mundt
Anderson	Hunt	Myers
Butler	Ives	Neely
Byrd	Johnson, Tex.	Nixon
Cain	Johnston, S. C.	O'Conor
Capehart	Kefauver	O'Mahoney
Carlson	Kem	Pepper
Chapman	Kerr	Robertson
Chavez	Kilgore	Russell
Clements	Knowland	Saltonstall
Cordon	Langer	Schoeppel
Donnell	Leahy	Smith, Maine
Douglas	Lehman	Smith, N. J.
Dworshak	Long	Smith, N. C.
Eastland	Lucas	Stennis
Ecton	McCarthy	Taft
Flanders	McClellan	Taylor
Frear	McFarland	Thomas, Okla.
Fulbright	McKellar	Thomas, Utah
Gillette	McMahon	Thye
Gurney	Magnuson	Tydings
Hayden	Malone	Watkins
Hendrickson	Maybank	Wherry
Hickenlooper	Millikin	Williams
Hill	Morse	Young

Mr. WHERRY. I announce that the Senator from Texas [Mr. CONNALLY], the Senator from Georgia [Mr. GEORGE], and the Senator from Wisconsin [Mr. WILEY] are absent in attendance on the conference between President Truman and Prime Minister Attlee on board the Presidential yacht *Williamsburg*.

The PRESIDING OFFICER (Mr. LONG in the chair). A quorum is present.

EXTENSION OF RENT CONTROL

The Senate resumed the consideration of the joint resolution (S. J. Res. 207) to continue for a temporary period certain provisions of the Housing and Rent Act of 1947, as amended.

Mr. TAFT. Mr. President, I desire to speak very briefly in opposition to the proposed extension of the Rent Control Act. I think it is perfectly obvious that the pending joint resolution is no more than an attempt to nullify the action which was taken by the Congress last year. It is simply an effort to continue rent control for 2 months more, so that the next Congress may face the question again, and so that we may nullify the complete solution which we reached last year, and which I thought was, on the whole, a reasonable compromise.

In the first place, the Federal Government has no vested or constitutional power whatever to fix rents except as a part of the war power. That is the only possible justification for Federal interference in rent control. Under the Constitution of the United States it is entirely a subject for the States, a subject for the local communities. We got into it because of World War II. Under the war power we put in rent controls. Last year it was obvious that they were the very last of the war controls, and that the existence of a war 4 years before no longer justified, constitutionally or otherwise, the continuation of Federal interference in that field. The result was that we passed a law which was a fair compromise. We said, "Unless there is affirmative action by local communities to continue rent control, it will end on the 31st of December 1950." It was then provided that if the local communities asked to have rent control continued, it would remain in effect until the 1st of July, by which time Congress could again take action if it wished to do so, although it was intended that the whole program should then expire, the local communities and States having had plenty of time to continue it or to put into effect their own local controls, if they desired to continue rent control. This joint resolution is an effort to nullify that procedure.

An attempt is made to justify it on the theory that we now face another war, another emergency. Mr. President, if the Government decides that it should impose price control and wage control, then I think I should be perfectly willing to impose rent control. It seems to me it should be done without any vestige remaining over from the present control. Where control still exists it is in the case of a limited number of property owners and in the case of a limited number of homes. It is based on conditions which existed in 1941 or 1942. Prices in all other fields have responded to inflation, and have reached new levels. In this field alone control remains. Not only is it discriminatory against property owners, but it is discriminatory against a particular class of property owners, because there are only from eighteen to twenty million rental units available in the United States. As an inflation-control measure, it is today completely ineffective. As an inflation-control measure, it is shot through with exceptions. All new houses, for example, are completely exempt. All houses built in the past 5 or 6 years are therefore exempt. Many other houses have been exempted by local action. Of the total number of rental units available, 7,500,000 are under control.

All the present act provides is that if the council of a local community does not have sufficient interest to ask for a continuation of control, such control shall expire. This measure is completely repudiated. It is completely ineffective. It would simply restore a certain amount of benefits to a limited number of tenants under an act which imposed arbitrary and unjust controls and discriminated against a limited number of property owners.

If we are to go forward anew with rent control we should start from a new base. We should get rid of the old rent-control law. We should inaugurate control on a new basis. In my opinion, we ought to start on a better and more just basis than the Original Rent Control Act, which was passed during the Second World War. It seems to me obvious that if there is any justification for rent control we should let the old rent-control law expire. Then in the next session we should study the question of imposing new rent controls, or set up a new system, if war comes, or if we are going to impose price and other controls. In other words, if there is to be a general attack on the problem of inflation we ought to take the time to examine anew, and thoroughly, the whole problem of rent control, and enact a new rent-control law, just as today we are considering anew an excess-profits tax law by trying to eliminate the faults of the act which Congress passed during the Second World War.

If the present rent control law were permitted to expire, no one would suffer except a few persons in communities where sentiment is so strongly opposed to the continuation of rent control that the local authority refuses to ask the Federal Government to continue something which costs them nothing. Certainly if sentiment is so strong locally, there is no reason at all why people in the community should not have the right to determine the question for themselves.

Mr. President, this measure in no way deals with the general problem of inflation. It is not in the nature of an inflationary control measure at all from any national standpoint. Therefore it seems to me the measure should be rejected and the original operation, gradual decontrol under the old act, should remain in effect, as planned by Congress. Today conditions are no different than they were when the act was passed 6 months ago. We should let it expire. If the committee wishes to do so, it may consider what should be imposed if a new emergency should arise and if there is a national inflationary problem with which they propose to deal by methods of control.

The PRESIDING OFFICER. The joint resolution is open to amendment.

Mr. LUCAS. It is my understanding that all Members of the Senate who desired to speak on the rent-control bill have now done so. There are some other bills which I have advised the Senate would be considered. Before moving their consideration I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The roll was called, and the following Senators answer to their names:

Aiken	Hill	Mundt
Anderson	Hoey	Myers
Bricker	Hunt	Neely
Butler	Ives	Nixon
Byrd	Johnson, Tex.	O'Conor
Cain	Johnston, S. C.	O'Mahoney
Capehart	Kefauver	Pepper
Carlson	Kem	Robertson
Chapman	Kerr	Russell
Chavez	Kilgore	Saltonstall
Clements	Knowland	Schoeppel
Cordon	Langer	Smith, Maine
Donnell	Leahy	Smith, N. J.
Douglas	Lehman	Smith, N. C.
Dworshak	Long	Stennis
Eastland	Lucas	Taft
Ecton	McCarthy	Taylor
Flanders	McClellan	Thomas, Okla.
Frear	McFarland	Thomas, Utah
Fulbright	McKellar	Thye
George	McMahon	Tydings
Gillette	Magnuson	Watkins
Gurney	Malone	Wherry
Hayden	Maybank	Wiley
Hendrickson	Millikin	Williams
Hickenlooper	Morse	

The PRESIDING OFFICER. A quorum is present.

EXTENSION OF TIME LIMIT WITHIN WHICH CERTAIN SUITS IN ADMIRALTY MAY BE BROUGHT

Mr. LUCAS. Mr. President, I have advised the Senate that we would consider a number of bills if there was a lull in the proceedings. Apparently no Senators desire to debate the bill providing for extension of rent controls, with the exception of the Senator from Washington [Mr. CAIN], who a moment ago advised me that he wished to make some remarks on the bill; that he could not do so this afternoon, but could do so tomorrow.

There is on the calendar House bill 483, Calendar No. 2540, to extend the time limit within which certain suits in admiralty may be brought against the United States. That is one of the measures which I suggested on December 1 might be considered by the Senate at almost any time. I now ask unanimous consent that the unfinished business be temporarily laid aside, and that the Senate proceed to the consideration of House bill 483.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H. R. 483) to extend the time limit within which certain suits in admiralty may be brought against the United States.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. WHERRY. Mr. President, I am not going to object. Notice has been given by the majority leader several times that this bill, among others, might be brought up for consideration.

I should like to ask the Senator from New Jersey [Mr. HENDRICKSON] if House bill 483 has had his attention, and whether there is any objection to considering it at this time.

Mr. HENDRICKSON. Mr. President, I have no objection to the bill being considered at this time.

Mr. WHERRY. Mr. President, I have no objection to granting the unanimous-consent request.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois [Mr. LUCAS]?

There being no objection, the Senate proceeded to consider the bill (H. R. 483) to extend the time limit within which certain suits in admiralty may be brought against the United States.

Mr. LUCAS. Mr. President, I am ready for a vote.

The PRESIDING OFFICER. The bill is open to amendment.

Mr. WHERRY. Mr. President, may we have an explanation of the bill?

Mr. MAGNUSON. Mr. President, I may briefly explain the purposes of the bill. It simply extends for another year, on behalf of certain litigants, particularly seamen who had brought suits in admiralty courts, tort actions with respect to Government-operated vessels, and who in their tort actions had named certain ship operators as operators of the Government-operated vessels. Some of them were under charter, and because of mistaken identity, many of the suits were dismissed.

The bill merely would allow the plaintiffs an extension of time in which to refile their suits against the proper operators and the proper defendants. It does not change the existing law whatsoever. It has nothing to do with the basic, permanent statute of limitations relating to the bringing of suits in admiralty courts.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. CORDON. The extension is from what time?

Mr. MAGNUSON. From the time of the passage of the proposed legislation.

Mr. CORDON. When did the statute run as against these men?

Mr. MAGNUSON. I will say to the Senator from Oregon that, as I recall the testimony, there were various times when the statute of limitations ran against them, but in most cases it was within the past two or two and a half years. Testimony was had on this matter last fall. The bill was reported unanimously by the Committee on the Judiciary.

Mr. CORDON. Can the Senator from Washington advise the Members of the Senate as to when it was first known that there was a defect with respect to the parties defendant?

Mr. MAGNUSON. It became known when the Government brought action to dismiss the parties defendant on the ground that they were not the proper parties defendant. Some of the litigation had been pending for a considerable time, but the defect was found at the time the Government brought action to dismiss.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. WHERRY. Does the Senator from Washington know whether any amendments were offered to the bill in the committee? The bill before the Senate is reported without amendment. Some of us have an idea that an amendment was agreed to which I believe had something to do with interest.

Mr. MAGNUSON. That provision is included in the bill. That was voted into the bill.

Mr. WHERRY. That is in the bill now?

Mr. MAGNUSON. Yes.

Mr. HENDRICKSON. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. HENDRICKSON. Does not the amendment differentiate between the type of cases brought in admiralty courts and courts generally?

Mr. MAGNUSON. No.

Mr. HENDRICKSON. The bill would allow interest from the time the suit was entered.

Mr. MAGNUSON. No. The bill provides:

Provided further, That after June 30, 1932, no interest shall be allowed on any claim prior to the time when suit on such claim is brought.

Mr. HENDRICKSON. Is brought?

Mr. MAGNUSON. Is brought. In other words, if some of the claimants wish to bring the suit now, and, let us say, it remains in court for 6 or 7 months, the court could allow the claimants interest for that time. But no retroactive interest is allowed at all under the terms of the amendment placed in the bill by the committee.

Mr. HENDRICKSON. Do I understand the bill follows the usual practice in respect to all litigation in United States courts?

Mr. MAGNUSON. Yes; and does not change the basic admiralty law.

Mr. HENDRICKSON. I thank the Senator.

The PRESIDING OFFICER. The question is on the third reading of the bill.

The bill (H. R. 483) was ordered to a third reading, read the third time, and passed.

ORDER OF BUSINESS

Mr. LUCAS. There is another bill which I should like to have taken up today; it is House bill 5967, Calendar No. 2265, a bill to amend the Interstate Commerce Act, as amended. It is my understanding that the Senator from Ohio [Mr. BRICKER], who is interested in that bill, has left the city, and will not return until tomorrow. Consequently we cannot take up the bill until then.

Mr. MAGNUSON. Mr. President, will the Senator yield at this point?

Mr. LUCAS. I yield.

Mr. MAGNUSON. Because of the importance of the so-called freight forwarders bill, the time element involved, and the necessity, in view of an Interstate Commerce Commission order, of taking some action on that bill, one way or another, at this session, I wonder whether we can make the bill the order of business, with the understanding that we may begin the debate on it tomorrow, when the Senator from Ohio has returned.

Mr. LUCAS. I should like to see whether possibly we can dispose of another bill before doing that.

Mr. MAGNUSON. Very well.

Mr. LUCAS. I should like to have the Senate take up the railway labor bill as soon as possible. It has been taken up by the Senate on several occasions, but on each and every occasion some parliamentary situation has resulted in postponing the consideration of the bill.

CITY OF CHESTER, ILL.

Mr. MAGNUSON. Mr. President——

Mr. LUCAS. Mr. President, I now refer to House bill 2365, Calendar No. 1811, a bill for the relief of the city of Chester, Ill. I see that my colleague, the Senator from Missouri [Mr. DONNELL], is present. The other day I pleaded with my colleague, in view of the fact that both of us are lame ducks, at least to show a little mercy and a little tolerance about this particular bill, but he seemed as determined as ever. [Laughter.] In view of the fact that both of us are soon to go home, I thought perhaps we could go home very comfortably and happily together. However, for some cause or other, he would not yield. I am pleading with my Republican friends to go along with me on this bill. The Senator from Nebraska has been cooperating with me for years.

Mr. WHERRY. That is the truth.

Mr. LUCAS. He will not have much more time to show the deep and sincere cooperation he has exhibited so long.

Mr. President, I now ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate proceed to the consideration of Calendar 1811, House bill 2365, for the relief of the city of Chester, Ill.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H. R. 2365) for the relief of the city of Chester, Ill.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request of the Senator from Illinois?

Mr. WHERRY. Mr. President, in keeping with the fine tribute the majority leader has just paid in regard to having received full cooperation, the Republican Members will not object to having the Senate consider the bill at this time, in order to show good faith, pursuant to the request of the majority leader for cooperation.

Mr. LUCAS. Mr. President, that is a marvelous spirit, and I am very grateful for it.

Mr. WHERRY. Of course, there will be argument about the bill. [Laughter.]

Mr. LUCAS. I was expecting that.

The PRESIDING OFFICER. Is there objection?

There being no objection, the Senate proceeded to consider the bill (H. R. 2365) for the relief of the city of Chester, Ill.

The PRESIDING OFFICER. The bill is open to amendment.

Mr. LUCAS. Mr. President, I am ready to vote on the bill.

Mr. DONNELL. Mr. President, will the Senator from Illinois yield?

Mr. LUCAS. I yield to my friend.

Mr. DONNELL. Will the Senator be kind enough to explain the bill?

Mr. LUCAS. I thought the Senator from Missouri was going to explain it. However, I shall be very glad to give the explanation. My good friend, the late Joe Robinson, at one time told me that when I had the necessary votes, that was the time to proceed. I think I have the votes; that is why I did not desire to argue this question. However, perhaps I do not have the votes; I do not know. The Senator from Missouri is very persuasive, and he gets around a good deal. I hope he has not bothered any of my Democratic friends. [Laughter.]

Mr. President, I now read from the report of the Committee on the Judiciary on the bill:

The Committee on the Judiciary, to whom was referred the bill (H. R. 2365) for the relief of the City of Chester, Ill., having considered the same, report favorably thereon, without amendment, and recommend that the bill do pass.

The purpose of the proposed legislation is that the Army of the United States relieve the city of Chester, Ill., of all obligation to pay for the removal of the wreckage of the old bridge over the Mississippi River at Chester, Ill.

STATEMENT

On July 29, 1944, the Chester Bridge collapsed during a heavy windstorm. Emergency action was taken by the Corps of Engineers to provide safe navigation and about one-half of the wreckage was removed.

In other words, the Corps of Engineers took it upon themselves, at that particular time, after that act of God had destroyed the bridge, to remove a part of the wreckage in order to permit navigation to proceed; but the Corps of Engineers left the other part of the bridge hanging in the river, and told the city of Chester, which is a small city of about 7,000 or 8,000 persons, that it had the obligation of removing the remaining part of the bridge from the river.

The city of Chester could not remove the remainder of the bridge under any circumstances or conditions. Everyone knows that most of the small cities of 7,000 or 8,000 persons, wherever they are located, are in debt; most of them are bonded to the limit of their indebtedness under the constitution under which they were incorporated in the first instance.

It is simply impossible for the city of Chester to remove the remainder of the wreckage of the bridge. Yet this liability continues to hang over the head of that city.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. LUCAS. I yield, but I hope the Senator from Oregon will not make it difficult for me.

Mr. CORDON. I shall endeavor not to do so. I merely seek information in order to be able to determine how I shall vote on this bill. I am sympathetic with its purpose. If the facts support a vote in favor of the bill, I shall be glad to cast such a vote.

However, it seems to me that two questions are to be determined. One is, What about the indebtedness of the city of Chester? Has it reached the limit of its constitutional ability, if it has one, to incur indebtedness?

The second question is, What about the ability of the city of Chester to tax?

Mr. LUCAS. The city of Chester has more than reached the limit of its constitutional ability to pay. I say to the Senator that that part of the bridge will never be removed, so far as the city of Chester is concerned, because it does not have the money with which to undertake its removal.

Mr. DONNELL. Mr. President, will the Senator yield for a question?

Mr. LUCAS. I yield.

Mr. DONNELL. The Senator from Illinois has been reading from the report of the Committee on the Judiciary. In the report I notice the following:

Inasmuch as the wreckage menaces navigation it is now being removed by the Corps of Engineers.

I understand that it has been removed.

I read further from the report:

The expense of this removal was charged to the city of Chester.

Mr. LUCAS. I do not think that is the true status. However, I do not have before me my file on this bill. I thought the Senator from Missouri probably would let the bill go through without any question.

I shall ask Mr. Johnston to call my office and have the large file on the city of Chester brought to me.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. CORDON. It may be helpful for us to note, on page 2 of the report, in the letter from the Secretary of the Army, the following statement:

The new bridge was opened to traffic on August 24, 1946; however, the city has pleaded inability to effect removal of the wreckage because of financial difficulties.

Mr. LUCAS. That is correct.

Mr. CORDON. I read further from the letter appearing in the report:

Inasmuch as the wreckage menaces navigation it is now being removed by the Corps of Engineers, at an estimated cost of $130,000, and the city of Chester has been advised that action to secure reimbursement will be taken when removal is accomplished and the cost determined.

That letter is dated July 8, 1949.

Mr. LUCAS. I thank the Senator from Oregon for calling my attention to that, because I know that after the storm which destroyed the bridge, the Corps of Engineers in the first instance removed the part of the debris which was in the river, doing so for navigation purposes, and for a long time left the remainder of the bridge hanging there.

After they themselves determined that the city of Chester was financially unable to do the job of removing the rest of the bridge from the river, the Corps of Engineers themselves proceeded, in the interest of navigation, to take what remained of the bridge out of the river. However, now they want to hold the city of Chester liable for that.

In the first place, Mr. President, I contend that the Army engineers, after removing a sufficient amount of the debris from the river to permit navigation on the river, should have proceeded no further. Apparently the portion of the wreckage removed for navigation purposes was sufficient to permit navigation to proceed on the river for a long, long time. The Corps of Engineers had no right then, if they felt it was the duty and obligation of the city of Chester to proceed with the remainder of the removal, to remove the debris clear to the water's edge, thus removing every bit of the debris, and then to charge the cost of that work to the city of Chester. The Corps of Engineers took upon themselves that obligation, and it seems to me they were absolutely unwarranted in doing so.

Everyone knows, certainly, that for navigation purposes it would not be necessary to remove such debris clear to the water's edge, from the center of the stream. However, in the beginning, the Corps of Engineers did remove enough of the debris to permit navigation on the part of those wishing to navigate on the river.

Now that the Senator from Oregon has raised the question, I shall read the entire letter which was written to the Honorable EMANUEL CELLER, chairman of the House Committee on the Judiciary:

Reference is made to your recent request for the views of this Department with respect to H. R. 2365, Eighty-first Congress, first session, a bill for the relief of the city of Chester, Ill. The Secretary of Defense has delegated to this Department the responsibility for expressing the views of the National Military Establishment.

On July 29, 1944, the Chester Bridge collapsed during a heavy, windstorm. Emergency action was taken by the Corps of Engineers to provide safe navigation and about one-half of the wreckage was removed at a cost of $123,998. A permit was granted on February 1, 1945, to erect false work for reconstruction of the bridge, conditioned upon removal of the remaining wreckage by the city of Chester within 18 months after the new bridge was opened to traffic. The new bridge was opened to traffic on August 24, 1946; however, the city has pleaded inability to effect removal of the wreckage because of financial difficulties. Inasmuch as the wreckage menaces navigation it is now being removed by the Corps of Engineers, at an estimated cost of $130,000, and the city of Chester has been advised that action to secure reimbursement will be taken when removal is accomplished and the cost determined.

Insofar as has been determined, there is no evidence of neglect or carelessness on the part of the bridge owner that contributed to the collapse of the bridge, and revenue figures since reopening of the bridge to traffic lend support to the plea of financial difficulties made by the city of Chester. Accordingly, this Department will offer no objection to favorable consideration of H. R. 2365.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

GORDON GRAY,
Secretary of the Army.

In other words, Mr. President, here is a report by Gordon Gray, then Secretary of the Army, which shows that there had been an investigation of the financial condition of the city of Chester. He advises the Congress of the United States that the people of Chester are in no position to pay for the removal of the re-

maining wreckage, estimated to cost $130,000, and that, consequently, there is no objection to favorable consideration of this bill.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Mr. President, that seems to sum up the situation pretty well. I could go on, and I think perhaps it is just as well to say that on October 8, 1948, the Chester Bridge Commission, by its manager, M. J. Boettcher, addressed a letter to Col. R. E. Smyser, Jr., district engineer, Corps of Engineers, St. Louis, Mo., as follows:

THE CHESTER BRIDGE,
Chester, Ill., October 8, 1948.

In re removal of wreckage of old Chester Bridge from Mississippi River.

Col. R. E. SMYSER, Jr.,
District Engineer, Corps of Engineers,
St. Louis, Mo.

DEAR COLONEL SMYSER: On July 19, 1948, the city council of the city of Chester, Randolph County, Ill., passed ordinance No. 341, which authorized the mayor and the city clerk, for and on behalf of the city, to enter into a contract with the War Department, Corps of Engineers, for the removal of the wreckage of the old Chester highway bridge from the Mississippi River, with the provision for repayment to the Government on an annual basis, after operation and maintenance, accounts past due, and accrued interest, and a minimum of $10,000 per year on the principal was paid, which was subject to the approval of the Chief Engineer.

By letter under date of October 1, 1948, addressed to the Chester Bridge Commission, you advised that the Chief of Engineers had disapproved of the agreement and notified the city of Chester that failing a proper agreement and lacking such authority and funds as the Corps of Engineers had in the removal of the Peoria Bridge, your office would be compelled to refer the case to the Attorney General for necessary action.

Please be advised that the city of Chester has exhausted all avenues toward trying to finance the removal of the bridge; and, because of the prohibitions and ordinance No. 251 and subsequent ordinances, the city of Chester is legally unable to enter into any contract with the War Department, other than on the terms and conditions as were submitted and which were rejected by the Chief Engineer. Our only hope would be congressional action which would relieve us of the dilemma we are in.

Because of the above action, the City Council of the City of Chester met in special session on Thursday evening, October 7, 1948, and passed ordinance No. 345 repealing ordinance No. 341, and passed a resolution to the effect that the city of Chester is unable and cannot remove said wreckage. A certified copy of said ordinance and said resolution is herewith enclosed for your information.

We are very sorry that matters have taken the turn which they have, and we regret very much that the War Department, Corps of Engineers, feel that legal action must be taken to settle this controversy.

Assuring you of our continued cooperation along any line which may be legal and which the city council would have authority to follow, we are

Yours very truly,
CHESTER BRIDGE COMMISSION,
M. J. BOETTCHER, *Manager.*

The committee report then sets forth the ordinance which was passed by the city of Chester, and then the resolution. I do not believe it is necessary to read either one of those at this time.

Mr. President, there can be no question that the War Department and the Bureau of the Budget have recognized the plight in which the city of Chester now finds itself as the result of the storm which destroyed this bridge. In view of the fact that the Corps of Engineers of the Army has proceeded to remove what is left of the bridge which was destroyed by storm and fell into the river, there is definite evidence that the city of Chester cannot meet its obligation. So I do not believe that the Senate of the United States, considering the record which is here made, desires to keep the city of Chester in the rather difficult position, so far as the future is concerned, of having $130,000 hanging over its head.

If a suit were filed and judgment obtained—I do not know whether a judgment could be obtained or not—it would probably involve a long court procedure. I know the case would go to the Supreme Court of Illinois before the litigation was finally concluded. Someone would have to pay the bill, and, after all, after the litigation was over, there would be no way under God's shining sun by which the Government would ever be able to collect from the city of Chester, because of its financial inability to pay. At the present time there is no prospect of any unusual growth in the population of the city in the near future. I doubt whether any additional territory will be taken into the city, and the result would be that the Government would get nothing.

It seems to me that the people of that city who, during all these years, have tried to keep open the transportation facilities over the river, in order that people might come and go over that unusual and sometimes hazardous river at that point, and who found themselves, by an act of God, through no fault of their own, deprived of a bridge, should not now be subjected to an effort on the part of the United States Senate to fasten that obligation on them.

The House of Representatives apparently recognized the merit of the position taken by the people of the city of Chester. The Department of the Army has recognized it, as has also the Bureau of the Budget. I hope that the Senator from Missouri will finally agree with everyone else about this situation, and that he will let this bill pass, and enable us to proceed with other business.

Mr. DONNELL. Mr. President, has the Senator concluded?

Mr. LUCAS. I have concluded.

Mr. DONNELL. I desire to be heard only very briefly in this subject. The facts are, as I understand them, that in 1939, by Public Law No. 191 of the Seventy-sixth Congress, approved July 18, 1939, the city of Chester was authorized to construct, maintain, and operate the bridge in question across the Mississippi River. The Government of the United States, of course, was under no obligation to grant such permission, but it did. As provided in the bill, the city of Chester was authorized to fix and charge tolls for transit over the bridge, and so forth. On July 29, 1944, the Chester bridge collapsed during a heavy windstorm. Shortly after the collapse of the bridge, the United States Corps of Engineers took emergency action and removed about one-half of the wreckage, at a cost of $123,998, as is shown by the letter of Secretary of the Army Gordon Gray, dated July 8, 1949, to which the Senator from Illinois has referred.

That was the situation at the beginning of 1945. Of course, at that time, at the beginning of 1945, the city of Chester had no right to construct a new bridge without the consent of the United States of America. What happened? On February 1, 1945, a permit to erect falsework for the construction of the bridge was issued by the Government, and, as is pointed out in the report of the Committee on the Judiciary, this permit was "conditioned upon removal of the remaining wreckage by the city of Chester within 18 months after the new bridge was opened to traffic."

The particular clause to which reference is made, by which this condition was imposed, is set forth at page 3 of the report, and reads:

(K) All wreckage of the old bridge shall be removed by the permittee to permit a clear depth to minus 17 feet on the Chester gage to the satisfaction of the district engineer not later than 18 months after the bridge has been opened to traffic.

The situation then, as disclosed up to February 1, 1945, was that the permit was granted by the Government to erect this falsework for the reconstruction of the bridge, but was conditioned upon removal of the remaining wreckage by the city of Chester within 18 months after the new bridge was opened to traffic. There was no obligation on the city of Chester to accept the permission to erect the bridge. Obviously, by acceptance of the permit, it accepted it subject to the condition which was imposed in the permit which was issued; so, at the conclusion of February 1, 1945, the city of Chester had itself voluntarily accepted the obligation to remove from the river the remaining one-half, approximately, of the wreckage.

Let us not overlook the fact that the Government had already spent $123,998 in removing the wreckage of a bridge, the permit to build which had been granted to the city of Chester, and the city of Chester voluntarily, as I see it, by the acceptance of the permit of February 1, 1945, accepted is under the condition to which I have referred, namely, that the city of Chester remove the remaining wreckage within 18 months after the new bridge was opened to traffic.

On August 24, 1946, the new bridge was opened to traffic, and on July 19, 1948, the City Council of Chester, instead of disclaiming any obligation, as I understand it, passed an ordinance, No. 341, which authorized the mayor and the city clerk to enter into a contract with the War Department Corps of Engineers for the removal of the wreckage, with the provision of repayment to the Government on an annual basis, after operation and maintenance accounts, of past-due and accrued interest, and a minimum of $10,000 a year on the principal was paid.

So we find the City Council of Chester not denying any previous obligation and not denying the fact that it had accepted

a permit to build a bridge on the condition the city should remove the wreckage, but itself authorizing by ordinance No. 341 the entrance into a contract with the War Department for the removal of the wreckage. Then, for some reason which I do not know, the contract was disapproved by the Chief of Engineers. On October 7, 1948, ordinance No. 341 was repealed by ordinance No. 345.

Mr. President, so far as I observe to this point there has been no disclaimer on the part of the city of Chester of the obligation which it voluntarily undertook by the acceptance of the permit, subject to condition K, which I quoted. We find that on October 7, 1948, the date on which ordinance 341 was repealed by the city council, the city of Chester asserts the following in its resolution adopted on that date:

Resolved by the mayor and the City Council of the City of Chester, Randolph County, Ill., That the city of Chester disclaims all liability for removal of said wreckage and that further negotiations with the War Department, Corps of Engineers, relative to the removal of the wreckage of the old bridge would be futile, and that because of the financial inability of the city to pay for or assume the obligation of removing the wreckage from the river that the War Department through its Corps of Engineers be advised that the city of Chester is unable and cannot remove said wreckage.

From the report of the Committee on the Judiciary, I understand the wreckage was removed by the the Corps of Engineers and the expense of the removal was charged to the city of Chester. As I understand, at the time Mr. Gray wrote his letter of July 8, 1949, such expense was estimated to be $130,000.

Mr. President, as I see it, the matter simmers down to a situation in which the city of Chester had a bridge in 1944, which the Government had permitted it to build. Thereafter the city was confronted with a situation resulting from destruction of the bridge. The Federal Government voluntarily spent nearly $124,000 to clear away half of the debris. Thereupon the city of Chester agreed to remove the remainder of the wreckage within the period to which I have referred. Solely on the ground of financial inability, coupled with the language of the resolution which I have read, to the effect that the city of Chester disclaims all liability for removal of such wreckage, we find the city of Chester now seeking to avoid payment of approximately $130,000, which I assume was the cost of the removal of the final portion of the wreckage.

I can well appreciate the point which the Senator from Illinois makes so eloquently in support of the city of Chester. On the other hand, it would set an unfortunate precedent for the Senate to accede to the proposition that after a city has made an agreement by virtue of the acceptance of a permit, and has become subject to the conditions of that permit, the city thereafter should, because of its financial inability, be excused from the obligation to pay the sum of money it had agreed to pay.

It is suggested and stated by the Senator from Illinois that the city of Chester is without financial ability to pay the amount. As I see it, that is not the question before us. The question is whether or not an obligation exists which was voluntarily assumed by the city of Chester, and whether such obligation is to be ignored and the city released from it merely because of its present financial inability. If the State of Illinois desires to authorize the city of Chester to increase its bonded indebtedness limit, there is nothing to prevent the State of Illinois from so doing.

Therefore, Mr. President, solely on the ground that the city has accepted a permit of benefit to the city unquestionably, because I assume the previous bridge was undoubtedly of benefit to the city, the city of Chester should not now be permitted to be excused from the payment of an obligation to which it became subject by reason of the acceptance of the permit of February 1, 1945.

The PRESIDENT pro tempore. The question is on the third reading of the bill.

The bill was read the third time.

The PRESIDENT pro tempore. The question now is, Shall the bill pass? Without objection, the bill is passed.

Mr. DONNELL. Mr. President, the Chair stated that without objection the bill was passed. Is it necessary that I renew my objection?

The PRESIDENT pro tempore. The Chair begs the Senator's pardon. The question is on the passage of the bill. [Putting the question.] The "ayes" seem to have it, the "ayes" have it, and the bill is passed.

BASIN DEVELOPMENT—COMMITTEE REPORT

Mr. CORDON. Mr. President, the National Reclamation Association at its annual convention last month in Spokane, Wash., had presented to it the report of a special committee which had been set up by President Harry E. Polk. The report contained the results of a study of the potentialities and possibilities of basin reclamation development in the Western States. After the report had been received, the National Reclamation Association adopted a resolution on the subject, which reads:

RESOLUTION 1

BASIN DEVELOPMENT COMMITTEE REPORT

Whereas during recent years a trend has developed toward the obtaining and assertion by agencies of the United States of increasing governmental power over the development of water resources and the economy of the 17 Western States, and the control and authority of the States and their agencies over their own future welfare has been correspondingly diminishing; and

Whereas still further extensions of Federal domination over the welfare and economy of the West have been proposed and advocated in connection with a movement to establish Federal valley authorities in the river basins of the Western States; and

Whereas for obvious reasons the National Reclamation Association has rejected the Federal valley authority concept as having no proper place in the American system of government; and

Whereas it is recognized by the association that the most effective and beneficial utilization of the water resources of the West can be obtained through coordinated, basin-wide planning and development; and

Whereas in order that the association should undertake its proper responsibility for leadership of public opinion, in rel tion to basin-wide development, the president of the association has appointed a special basin development committee and said committee has submitted to the association its report, wherein it makes affirmative proposals for solution of problems of basin development: Now, therefore, be it

Resolved by the National Reclamation Association:

1. That the association approves the broad, general objectives laid down in the report of the basin-development committee as indicated by the preamble of this resolution;

2. That the association deems it essential that the trend toward Federal domination be reversed;

3. That the basin-development committee report be transmitted to each of the 17 affected States, and interested organizations and agencies, and the interested Federal agencies, for study, review, and comment within a time fixed by the board of directors;

4. That the comments of such States, organizations, and agencies be studied and analyzed by the board of directors, and that its analysis and recommendations be submitted to the twentieth annual meeting of the National Reclamation Association; and

5. That the National Reclamation Association expresses its appreciation to Chairman Marshall Dana and his fellow committeemen for their untiring and fruitful efforts in the study and preparation of the project report.

Mr. President, the report mentioned in the resolution is one of great importance to all western reclamation States. In order that it may be available for study by all persons who are interested in it, I ask unanimous consent that the report be printed in the RECORD at this point as part of my remarks.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

BASIN DEVELOPMENT COMMITTEE REPORT TO NATIONAL RECLAMATION ASSOCIATION, NINETEENTH ANNUAL MEETING, SPOKANE, WASH., NOVEMBER 15, 16, 17, 1950

A PROGRAM

The Basin Development Committee was established in February 1950 by President Harry E. Polk in accordance with the constitution of the National Reclamation Association.

The assignment given to the committee was to develop a program or a plan for river basin development, in all its phases, which would be acceptable to the reclamation interests of the West. President Polk particularly asked that the recommendations of the committee be put in direct and concrete form. Membership of the committee comes from each of the major river basins of the West.

The committee has proceeded with its assignment by considering the aspects of planning, financing, construction, and operation of comprehensive multiple-purpose developments and by exhaustive study of all technique, existing and proposed for handling the complex problems relating to such development.

Techniques receiving particular study in an attempt to determine the advantages and disadvantages of each were: Present Federal agency operation supplemented by interagency committees; interstate compact; river valley authorities; the basin account; and the so-called Watkins bill.

The resulting report is therefore based upon an analysis and an understanding of the problems involved. It is believed that it will serve as the basis for a sound policy and point the way for writing a river basin development plan which will truly serve the interests of the people who are to benefit by, and who will pay for, such development.

BASIN DEVELOPMENT

This is more an appeal than a report. It is an appeal to reverse the trend that is taking control and authority from the local projects of reclamation and making the United States Government the proprietor and total authority.

We hold this trend to be dangerous to the future of reclamation and contrary to the concept of government of, for, and by the people.

We ask for a change of direction, from the grass roots up, rather than from a paternal and regimenting bureaucracy down. We ask for a home rule as the rock upon which the structure of reclamation can be erected to endure through the ages.

We propose MOL—the man on the land.

Let authority, initiative, and action rise from him rather than descend from valley authorities. These we hold to be contrary to the American way and to the spirit of democratic government. The National Reclamation Association has so declared by resolution on eight separate occasions (NRA resolutions opposing valley authorities: No. 4 adopted in 1938; No. 17, 1941; No. 15, 1943; No. 15, 1944; No. 21, 1946; No. 15, 1947; No. 13, 1948; No. 4, 1949) covering more than a decade of time.

We hold for basin development. Dams in series increase the usability of the entire river system, make more certain abundant water for all uses, provide a steadier head of power, and abate pollution.

But the program for river-basin development must not alter the priority for consumptive uses of water, must not abrogate established water rights, must not sacrifice essential local development in order to forward a grandiose scheme.

We suggest that the preferable plan is to knit into the development of an entire river basin the sum of efficient and desirable local projects. The local projects must, in turn, conduce to the widest opportunity and the greatest challenge to the individual—the man on the land.

The foundation of western agriculture was laid by pioneers who ox-teamed with families and furniture, cows and plows, seeds and little trees to the great American desert.

By individual effort they broke the sod, brought water from the branch, built homes, and produced food where for ages the sagebrush, the jackrabbit, and the coyote had flourished under the sun.

By their proof—the proof that individual families could sustain themselves by combining the water and the land for all the accomplishments of civilization—freedom itself pressed forward along the American way, and reclamation became integral in the progress and prosperity of the United States.

Since reclamation was made a national policy by adoption of the act of 1902, western reclamation has become a multi-billion-dollar enterprise. Federal and private reclamation have gone along together to create a balanced, economy of homes and farms, transportation and towns, industry and business, education and religion. The products of reclamation have become indispensable in the feeding of 150,000,000 Americans and have contributed to export trade. Reclamation is a large consumer of power, a conspicuous user of labor-saving machinery, a valued customer of the Nation's factories and mills, an important contribution to America's economic and military strength.

The desert has been made to blossom as the rose.

Water is the key. The supply of water has become the controlling factor in the further development of the American West.

The original purpose was to bring arid and semiarid land, by means of man-applied water, to a level of production at least equal to that of naturally watered land.

In early stages, small attention was given to incidental hydroelectric power, sometimes because of a fear on the part of settlers that power development might trespass upon the development of the land and reduce the available flow of water for farm and domestic uses.

In effectuation of reclamation as a national policy, the Federal Government became a benevolent banker, affording long-time loans without interest and dealing leniently as to final settlements, holding the prosperous establishment of homes and farms to be a first value.

A great body of laws accumulated, dealing with water rights and related questions. As is well recognized, these laws have been adopted in fragmentary and patchwork manner and are unfortunately open to diverse interpretation.

Likewise, it is necessary to say, a growing body of theory and political opportunism began circling around reclamation, hoping to exploit its values and opportunity in behalf of visionary schemes.

And there has been a legitimate growth of the reclamation idea, namely, that in a modern day it must be enlarged to bring about the development of rivers and river basins for all of their uses.

With the liberal appropriations by Congress of almost undreamed sums of money for water resource development has come a concentration of power in Government agencies. For money is power. Quite naturally there is a grasp for more authority on the misguided presumption that with more authority the job can be done quicker and better.

Thus has come the proposal for Federal valley authorities, not from reclamationists, not from those who know how to farm irrigated land or develop projects, but from enthusiasts and theorists in Federal bureaus and from other persons who have never known what it was to build a home and an economy in the wilderness or to generate a kilowatt of electric energy.

This valley authority proposal is to establish the Federal Government through a superimposed agency as investor, owner, and administrator of an entire river basin, sweeping away or subordinating other agencies, particularly the great Federal construction agencies, the Army engineers, and the Reclamation Bureau.

It is a movement that has its value to reclamation and its friends. It puts us on notice that fundamental plans of river-basin development must be enlarged in accord with individual rights and home rule. We must not be too set or too selfish to change. But we propose our kind of change, and that is to recapture the original plan of individual ownership, independence, and businesslike contract responsibly kept.

It has become imperative to check the paternalism which vitiates and stultifies the free American spirit by doing things for Americans instead of creating the area of opportunity in which they can do things for themselves. Such paternalism quickly takes the road to authority and dictatorship.

Here is involved a principle that is as old as the struggle for the freedom of man. It is bedded in the declaration that Government derives its just powers from the consent of the governed. It goes farther. In the precepts of democracy the government serves logically and well when it is partner to the people, when it recognizes and cherishes the rights of the individual, and when it aids in establishing those rights—the estate of free men—as banker, as partner, and as servant, but never as master, never as authority superimposed upon the people, but always as authority created by them at the ballot box.

When we examine the specific application of this principle to reclamation, it is to see that the Government's purpose from the beginning is to establish, free of bonds and bondage, the individual upon the land. It is not too great a strain of definition to include the individual man, the family, the district, the community, the State, and the river basin.

We hope now to be able to diagram how river-basin development based upon the man on the land and under the authority of the people can be brought about.

1. The intrastate district: Let district organization be retained under applicable State laws with full recognition that water rights, established in conformity with the laws of the State, are appurtenant to the land and that, upon final performance of contract obligations with the Government, title and rights to incidental power shall pass to the district.

2. The intrastate river basin: When a group of reclamation districts is developed on a river whose flow is wholly confined within the boundaries of a State, let an association of these districts be formed to operate under the laws of the State and in contractual relations with the Federal Government to the end that the entire flow shall be developed, controlled, and apportioned equitably to all land to which water rights can be extended and water supplied, in order that repayment of the loan shall be assured the Federal Government. The incidental power shall also be jointly administered under State regulation, either at the beginning or when contractual obligations with the Government have been satisfied. As in the case of the local district, the association should operate and maintain the works, either directly or through its constituent agencies, and title to the water and power works should after repayment vest in either the association or its constituents.

3. The interstate river basin: Let the States of a river basin, with the participation and advice of the delegated representatives of local districts, either directly or through associations of intrastate districts, formulate interstate compacts. Such interstate compacts must be created with the consent of the Federal Government. Not only that, the Government should be a party to the compacts. Under the compacts the waters of an interstate stream should be apportioned and further authority should be vested in an interstate organization to enter into undertakings with the Federal Government for the cooperative development of an interstate river basin. Administration of incidental power developments should be provided for in the same interstate compacts.

No such interstate compact should be submitted to the Congress of the United States for its approval until the several legislatures have ratified it. Perhaps also such compacts should provide that they shall not be effective until approval has been voted at general elections conducted in the affected areas of each of the several States.

To effectuate necessary planning and estimates, an interagency committee may well function to aid and advise the Interstate Compact Commission. The membership of the committee should be fully representative of all interests concerned, with emphasis on the local interests. This committee should assemble and analyze full information on such problems as surface and underground water supply and storage, apportionment of water, land-use planning, soil conservation costs, fish, wildlife and recreation, hydroelectric power, flood control, and abatement of pollution. It should help to bring about better public understanding and coordination of agencies and duties.

The interstate organization should make all decisions and recommendations to Congress as to what steps should be taken in development of a river basin. Subject to the will of Congress, the interstate organization should direct and initiate the steps of the development.

Wherever construction of multiple-use projects including reclamation and power are undertaken, we believe it desirable that

the great construction agencies of the Government should be retained in full vigor and effectiveness for such purposes.

Complete coordination under the leadership of the interstate organization should be the goal of the Federal Government, the Interagency Committee, the Interstate Compact Commission, the States and their people, and the reclamation associations and districts.

4. Basin account: This device should be given consideration as a working arrangement for bookkeeping, for pooling the revenues of the projects of basin development, and providing for proper subsidy to irrigation. We submit:

(a) Land reclamation may be undertaken as an essential part of a general river basin development program in which the over-all benefits obtained from power plants, flood control, and other factors are on the credit side of the ledger both as to the region and as to the Nation.

(b) Subsidy may be applied to irrigation costs in excess of what settlers can pay for construction involving projects that thereafter can pay their way through production.

(c) Subsidy should not, unless in exceptional circumstances not now visible, be applied to projects that cannot be economically operated and maintained after construction.

(d) The policy in irrigation should be as affirmative as honesty and good sense validate, since food production and the establishment of homes, farms, towns, transportation, and other aspects of a balanced economy depend upon successful agriculture.

(e) Since the basin account is a device for bookkeeping, planning, budgeting, and subsidy of irrigation, its administration should not be given any one agency (specifically, the Interior Department), nor should such agency be given exclusive authority over rates for electric power.

(f) It would appear to be better practice to allow the Federal Power Commission to retain its legally assigned rate-making authority in conference with the Interagency Committee and the Interstate Compact Commission.

(g) There should be continuous counsel with State and local authority in questions of policy, rates, terms of repayment, and general administration.

5. Interstate operation: The same interstate organization (Federal-State-local) setup to plan, finance, and develop multiple-purpose projects should be employed to administer these projects after completion and hold title to them and their benefits once debt is liquidated.

In the outline here offered it is not proposed to interfere with the Federal functions of flood control, navigation, conservation, the construction of locks and harbor facilities, and other responsibilities that traditionally fall within the scope of Federal activities.

The fact that the Federal Government advances funds for development, part or all of which is to be repaid, should not change the debtor-creditor relationship between the State or a State agency. When the debt is paid, the debtor States or districts should be free to function in conformity with the desires of the people in the States concerned.

The basin-wide multiple-purpose projects present problems of administration which call for governmental mechanisms adequate to the task involved and yet fully representative of the people concerned. These mechanisms preferably should be initiated by the people.

We make the point that the valley authorities in the form of federally chartered corporations after the TVA pattern are ill suited for the task of conserving the property rights established under State laws, such as water rights created by the appropriation of water to become appurtenant to the land. They are objectionable in their destruction of local autonomy in government. An overwhelming majority of the people in the reclamation States oppose valley authorities and should never be forced to yield to them without their voted consent.

The new form of governmental problems presented by basin-wide developments, involving irrigation, generation, and distribution of electric energy, soil conservation, flood control, navigation, preservation and development of wildlife, development and utilization of recreational facilities, and other elements, calls for an administrative unit drawn from the various levels of government, local, State, and Federal—a new type of compact. Such a governmental structure would be adequate for the task to be performed. It should be in line with recommendations for interstate organization. It would give promise of successful maintenance of property rights created and existing under State laws. It would conform to our American concept of government as being in response to the desires of the people. It would avoid a vested ownership and economic control by Federal instrumentalities over areas comprehended by America's great river basins. It would avoid centralization of power, both political and economic, in the Federal Government.

As funds are provided for reimbursement to the Federal Treasury, it would be possible to give recognition to the proprietary interest which should be permanent, not in the Federal Government, but in those who have paid the bills.

It would provide home rule.

Yet we may thus continue to benefit from the ability of the Federal Government to finance vast multiple-purpose projects which are beyond the financing abilities of private organizations, State agencies, or the States themselves. The Government in such financing and cooperation may well thereby recognize its responsibilities as steward of public lands and contributor to the social and economic establishment of key areas having special problems.

During the past 20 years, the American people through their elected representatives have chosen to increase markedly the activities in the field of natural resource development and use. Even though the defense effort may temporarily reduce the activity, the defense needs of the Nation increase the necessity for the products of such development.

The problem is one that calls for reorientation and coordination of policies, agencies, and the development program as a whole. No longer can we limit our own plan to the development of water resources for irrigation.

The actual administrative relationship of agencies must be submitted to the test of coordination and thus of the right to continue to serve. Plans must be thus tested.

The prime objective—orderly development with efficiency—must no longer be a smoke screen for the promotion of ideas which are not American but which will eventually result, if adopted, in the complete domination of the economic life of the people by representatives of the Federal Government.

We have advanced a plan which we believe will save from destruction the fundamental relationships between local, State, and national governments with emphasis upon the basic unit of government and progress—the man on the land. Local water users shall have their proper voice in the development of resources from which we live.

It will be possible, also, we believe, to preserve the necessary checks and balances of government in a free society.

The water-development program must not be used as a tool for fastening the blanket of domination by any Federal agency over the economic life of the people who are to benefit from the development.

The problems of planning, financing, constructing, and managing natural resource development programs are all more efficiently solved when the talents, the interest and support of all agencies of Government and of all units in the body politic are sought after, recognized and considered. If the natural resource development program is to succeed, then the philosophy of Federal domination must be replaced by one which will emphasize the place of the water users who should have first place in the planning and authority in the accomplishment and final ownership of the lands, the water rights and the power.

Natural resource development programs must, indeed, spring from the land and the people through their votes and their elected representatives. The voice of the agencies which are promoting their welfare and the appropriations must be replaced by the legitimate voice of the people who have to pay for the programs.

The philosophy of a top-heavy program, promoted from the top down, must be discarded. In its place must be a program linked to a philosophy which will build on the firm foundation of the land and water combined, those mutual relationships and fair play that belong to the spirit of America.

Now, in rapid review, we propose:

1. That the reclamation district shall be the basic unit in land and water development and the primary source of authority for action.

2. That under private ownership the water shall be appurtenant to the land together with incidental hydroelectric energy.

3. That the Federal Government shall withdraw as owner and administrator both of water resources and power when contractual obligations have been satisfied.

4. That associations of reclamation districts may be formed for the development of intrastate river basins including reclamation of land and the development of hydroelectric energy.

5. That such associations shall be administered under State law and regulation.

6. That interstate river-basin development shall be set up and administered through interstate compacts, including representation of all interests properly concerned, implemented by interagency committees and using for bookkeeping, planning, and other proper purposes the device of the so-called basin account.

The Committee on Basin Development can offer no conclusion more mature than the fact that reports do not of themselves solve problems, nor do resolutions alone meet a duty.

We have given such thought to the way in which the policy we have outlined and the program we have recommended may be implemented.

We therefore propose:

1. That the National Reclamation Association forthwith declare its approval of this report.

2. That it accept MOL—the Man on the Land—as the title of the movement to be undertaken.

3. That it direct the incorporation of this movement in basic national reclamation policy as such policy is represented by this association.

4. That a continuing committee be created, its duties:

(a) To effectuate action by the association in harmony with this report.

(b) To secure the necessary legal adjustments and legislation essential to such effectuation.

(c) To transmit the association's program to all reclamation districts and other groups concerned with reclamation.

5. That the continuing committee be accorded power of action under the direction of the president and the board of directors of the National Reclamation Association.

6. That the board of directors be authorized to budget and to meet the necessary expenses of the continuing committee in the performance of its assigned duties.

MOL—the Man on the Land—is offered to the National Reclamation Association as a means which will be effective in the multiple-purpose projects of river-basin development. We have presented principles which must be worked out in plan, organization, law, and procedure. But we have tried at the same time to offer a contribution to the efficiency of democratic principles.

Our success as a democracy has been due to the fact that no man, no group of men nor even a centralized government have had the final say. Eventually we have found the best course suited to the most people.

We offer MOL as a revolutionary change of direction in reclamation. We believe that the plan we submit is true to the principle of self-government and that we can govern ourselves. It embodies home rule, and we will submit to no other ruler.

Basin Development Committee, National Reclamation Association; Marshall N. Dana, Chairman, Portland, Oreg.; Henry J. Copeland, Walla Walla, Wash.; D. D. Harris, Ogden, Utah; C. Petrus Peterson, Lincoln, Nebr.; Bert Smith, San Francisco. Calif.; J. E. Sturrock, Austin, Tex.; Kenneth W. Sawyer. Secretary, Portland, Oreg.

ORDER OF BUSINESS

Mr. LUCAS. Mr. President, there is one bill on the calendar which we could make the unfinished business. The junior Senator from Nebraska [Mr. WHERRY] is trying to get in touch with the Senator from Indiana [Mr. JENNER] with reference to considering the bill at this time. If possible I should like to be able to dispose of it this afternoon. I am certain that if we could take up the amendment submitted by the Senator from Indiana, which deals with FEPC legislation, we could conclude consideration of the measure within a short time.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. MAGNUSON. Is it the understanding that if the bill is not disposed of the so-called freight-forwarding bill will be considered?

Mr. LUCAS. We shall dispose of the freight-forwarding bill sometime tomorrow. Perhaps we shall have a late session, although I do not think it will take too long. Has the Senator from Nebraska been able to get in touch with the Senator from Indiana?

Mr. WHERRY. Mr. President, I answer the distinguished majority leader by saying that no sooner had I left the Senate Chamber than the bill then pending was passed. I have been unable to reach the Senator from Indiana [Mr. JENNER]. I respectfully ask, if it be convenient, that I be permitted at least to confer with the Senator from Indiana. After the motion to take up the statehood bill was withdrawn, there was some question as to when the freight forwarders bill would be brought forward. I should like very much, if possible, to inform the Senator from Indiana, and I ask the majority leader to extend me that privilege. I will consult the Senator from Indiana as soon as possible.

Mr. LUCAS. I shall be very glad to do so.

Mr. WHERRY. In view of the program which has been outlined, and the notice given by the majority leader, I have no objection to making the freight forwarders' bill the unfinished business, with the undestanding that it be debated tomorrow when the Senator from Ohio [Mr. BRICKER] can be present. I am quite sure that the Senator from Ohio would want me to object until he can be present. I am satisfied that the Senator from Washington [Mr. MAGNUSON] understands the situation. Is there some other bill that the Senator from Illinois would like to take up?

Mr. LUCAS. Let me inquire from the Senator from Washington whether or not he can proceed with his part of the discussion of the freight forwarders' bill this afternoon, and get it into the RECORD. In that way we can make some time.

Mr. MAGNUSON. Mr. President, I will say to the Senator from Illinois that it is not my bill, although I participated in many of the hearings.

Mr. LUCAS. Whose bill is it?

Mr. MAGNUSON. It is really the bill of the distinguished chairman of the Committee on Interstate and Foreign Commerce [Mr. JOHNSON of Colorado]. I am quite familiar with its provisions, having participated in the hearings. It would be necessary for me to assemble a great deal of data tonight, even if the debate were to be postponed until tomorrow, because the question is a very technical one.

FREIGHT FORWARDERS AND MOTOR COMMON CARRIERS

Mr. LUCAS. Mr. President, I do not wish to place any burden on the Senator from Washington, so I ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate proceed to the consideration of Calendar No. 2265, House bill 5967, with the understanding that there will be no vote on the bill before tomorrow.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H. R. 5967) to amend the Interstate Commerce Act, as amended, to clarify the status of freight forwarders and their relationship with motor common carriers.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Illinois?

Mr. WHERRY. Mr. President, I should like to make one further inquiry of the majority leader. Does his request mean that we are to begin to debate the bill this afternoon?

Mr. LUCAS. If any Senator desires to speak on the bill, he may do so.

Mr. WHERRY. I would greatly appreciate it if the discussion could be postponed until tomorrow.

Mr. MAGNUSON. Mr. President, I do not think we should proceed with the debate this afternoon.

Mr. WHERRY. I ask the distinguished majority leader to modify his request, or have an understanding to that effect.

Mr. LUCAS. We will have an understanding that it will not be debated this afternoon, because if the Senator from Washington is not ready to debate it, I do not think any other Senator is prepared to do so.

Mr. WHERRY. I thank the Senator.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Illinois?

There being no objection, the Senate proceeded to consider the bill (H. R. 5967) to amend the Interstate Commerce Act, as amended, to clarify the status of freight forwarders and their relationship with motor common carriers.

The PRESIDENT pro tempore. At this point the chair desires to state for the RECORD that the pending business is House bill 5967, a bill to amend the Interstate Commerce Act. It is known as the freight forwarders' bill.

Mr. WHERRY. Mr. President, the unfinished business, of course, is the so-called rent-control joint resolution.

The PRESIDENT pro tempore. The Senator is correct.

Mr. WHERRY. On which a vote is to be taken at 2 o'clock on Thursday afternoon of this week.

The PRESIDENT pro tempore. The Senator is correct.

EXECUTIVE SESSION

Mr. LUCAS. Mr. President, I move that the Senate proceed to consider executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting the nomination of Lt. Col. William R. Shuler, Corps of Engineers, to serve as a member of the California Debris Commission, vice Brig. Gen. Walter D. Luplow, which was referred to the Committee on Public Works.

NOMINATION OF MICHAEL V. DI SALLE—EXECUTIVE REPORT OF A COMMITTEE

Mr. MAYBANK. Mr. President, from the Committee on Banking and Currency, I report favorably the nomination of Michael V. Di Salle, of Ohio, to be the Director of Price Stabilization. There was a meeting of the committee this morning, at which Mr. Di Salle appeared, and there was some testimony. I am authorized to say that there is no objection to the nomination, although unfortunately some of the members of the committee were out of the city, and did not take part in the hearing.

The PRESIDENT pro tempore. The nomination will be received, and placed on the Executive Calendar.

If there be no further reports of committees, the clerk will proceed to state the nominations on the Executive Calendar.

DEPARTMENT OF DEFENSE

The Chief Clerk read the nomination of Anna M. Rosenberg, of New York, to be Assistant Secretary of Defense.

Mr. WHERRY. Mr. President, I ask that this nomination go over temporarily.

The PRESIDENT pro tempore. Is there objection to the request of the

Senator from Nebraska? The Chair hears none, and the nomination will go over temporarily.

MUNITIONS BOARD

The Chief Clerk read the nomination of John D. Small, of New York, to be Chairman of the Munitions Board.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

MUNICIPAL COURT FOR THE DISTRICT OF COLUMBIA

The Chief Clerk read the nomination of Andrew J. Howard, Jr., of the District of Columbia, to be associate judge of the Municipal Court for the District of Columbia.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY

The Chief Clerk read the nomination of John A. Remon, of the District of Columbia, to be a member of the District of Columbia Redevelopment Land Agency for the term expiring March 3, 1955.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

ECONOMIC STABILIZATION AGENCY

The Chief Clerk read the nomination of Alan Valentine, of New York, to be Economic Stabilization Administrator.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed. That completes the Executive Calendar.

RECESS

Mr. LUCAS. I move that the Senate stand in recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 3 o'clock and 19 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, December 6, 1950, at 12 o'clock meridian.

NOMINATION

Executive nomination received by the Senate December 5 (legislative day of November 27), 1950:

CALIFORNIA DEBRIS COMMISSION

Lt. Col. William R. Shuler, Corps of Engineers, to serve as member of the California Debris Commission provided for by the act of Congress approved March 1, 1893, entitled "An act to create the California Debris Commission and regulate hydraulic mining in the State of California," vice Brig. Gen. Walter D. Luplow, to be relieved.

CONFIRMATIONS

Executive nominations confirmed by the Senate December 5 (legislative day of November 27), 1950:

MUNITIONS BOARD

John D. Small, of New York to be Chairman of the Munitions Board.

MUNICIPAL COURT FOR THE DISTRICT OF COLUMBIA

Hon. Andrew J. Howard, Jr., of the District of Columbia, to be associate judge of the municipal court for the District of Columbia.

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY

John A. Remon, of the District of Columbia, to be a member of the District of Columbia Redevelopment Land Agency for the term expiring March 3, 1955.

ECONOMIC STABILIZATION AGENCY

Alan Valentine, of New York, to be Economic Stabilization Administrator.

HOUSE OF REPRESENTATIVES

TUESDAY, DECEMBER 5, 1950

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

O Thou, who art the Lord God omnipresent, omniscient, and omnipotent, in this moment of prayer we are beseeching Thee for a greater faith in Thy presence, wisdom, and power.

Grant that our faith in these attributes of Thy divine being may not simply be a formal creed which we affirm and profess but may it be a real personal experience.

May it be a source of peace and power enabling us to conquer all our fears and anxieties and strengthening us for every trial and tribulation.

We pray that our President, our Speaker, and all the Members of this legislative body may be richly endowed with faith. May they be blessed with a calm and confident spirit which is essential to wise judgment and decision and which will inspire them to carry on with courage and steadfast purpose.

Give us daily the firm conviction that Thou hast placed us in a moral universe and that righteousness and justice and all the spiritual values of freedom, good will, kindness, purity, love, and peace must prevail.

Hear us in Christ's name. Amen.

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO ADDRESS THE HOUSE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include an editorial.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

[Mr. THOMAS addressed the House. His remarks appear in the Appendix.]

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to address the House for 1 minute to explain a motion to recommit that will be offered to the pending tax bill, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

REPUBLICAN MOTION TO RECOMMIT TAX BILL

Mr. REED of New York. Mr. Speaker, on Monday, December 4, Secretary Snyder in his testimony before the Senate Finance Committee said:

The revenue yield of the House bill (H. R. 9827) is about $3,000,000,000 or $1,000,000,000 short of the President's recommendation, and unless the bill is modified to increase its yield it will not meet the objective set by the administration, even before the recent deterioration of the international situation.

To meet this challenge for more revenue, when the Nation is facing a possible Dunkerque in Korea, and to more effectively: First, take the profits out of war; second, raise additional revenue; and third, combat the rising cost of living, the Republican minority will move that H. R. 9827 be recommitted to the Committee on Ways and Means with instructions to report it back forthwith with two simple amendments to provide: A, that the corporate surtax be raised by five percentage points; and B, that the average earnings credit be 100 percent instead of 85 percent.

The Republican motion should be adopted for the following reasons:

First. It will raise at least $500,000,000 more revenue than H. R. 9827.

At a $40,000,000,000 level of corporate profits the Republican proposal will yield approximately $3,500,000,000—$500,000,000 more than the $3,000,000,000 estimated under H. R. 9827.

At a $48,000,000,000 corporate profits level the Republican proposal will yield approximately $6,400,000,000, or $1,800,000,000 more than the $4,600,000,000 estimated under H. R. 9827. This estimate is made by the staff of the Joint Committee on Internal Revenue Taxation.

Second. It will substantially reduce the hardships and discriminations in H. R. 9827 and at the same time will spread the increased tax loads more equitably.

Under H. R. 9827 between 70,000 and 80,000 corporations will be subjected to the special 75-percent tax which will apply to all profits greater than 85 percent of their normal profits. By permitting corporations to earn 100 percent of their normal profits before being subjected to the 75-percent levy, the number of corporations to which the special 75-percent levy applies will be reduced. H. R. 9827 consists of two pages imposing the tax and approximately 146 of exceptions, special rules, exemptions, credits, and so forth. By increasing the average earnings basis to 100 percent the need for corporations to seek relief under these 146 complicated pages will be reduced.

At the same time, however, by increasing the surtax rate by 5 percentage points not just 70,000 or 80,000 corporations but the 300,000 taxable corporations with surtax net income over $25,000 will pay some increased tax to help meet our defense program. The 100,000 corporations with taxable income of $25,000 or less will not be affected.

Third. It will limit the application of the special 75-percent rate to what can more fairly be described as war profits.

A basic fallacy and defect of H. R. 9827 is that no attempt has been made to limit the application of the special 75-percent rate to excess profits alone

but instead normal profits and excess profits have been deliberately confused.

At best it is recognized that there is no satisfactory formula to determine excess income because no statutory formula can ever be devised which fairly measures normal profits for all corporate taxpayers. H. R. 9827 uses the period 1946–49 as the basis for measuring normal profits although in this period corporations experienced severe fluctuations. Instead, however, of permitting a credit of 100 percent of the average income of the three best years in this period, H. R. 9827 reduces the credit to 85 percent. Profits over 85 percent of this period are subject to the special 75-percent rate. If the earnings of the period 1946–49 are determined to be normal, why should they be reduced? No justification has ever been made for reducing the yardstick of normal earnings by 15 percent except on the grounds that it will produce additional revenue. But if normal profits are to be taxed as proposed in this bill, then at least they should be taxed equitably between all corporations. There is no reason why the inequities of H. R. 9827 should be applied to both normal profits and excess profits.

Fourth. It will make H. R. 9827 less inflationary.

It is recognized that any tax which imposes a high marginal rate on profits greater than any fixed base is inherently inflationary. The basic reason is that this type of a tax creates two different dollars—one dollar for normal profits worth 55 cents after taxes and the other dollar worth, in the case of H. R. 9827, only 25 cents after the special 75-percent tax. In effect two different currencies are established and the yardstick by which productive enterprises make decisions is naturally influenced by which dollar is involved. What could not be afforded in the way of higher wages, increased personnel, and higher prices for materials under the 55-cent dollar becomes relatively cheap under the 25-cent dollar.

The natural result is that the inflationary factors which are now at work are given a strong boost.

By applying the special 75-percent rate to 15 percent of normal profits as well as to all excess profits the amount of cheaper corporate dollars is increased by approximately $1,200,000,000. To this large extent H. R. 9827 is unduly and unnecessarily inflationary at the very time when the cost of living has reached an all-time high.

The Republican proposal would cut down by approximately $1,200,000,000 the number of inflationary dollars.

WHAT IS THE PRESIDENT'S POLICY?

Mr. HUGH D. SCOTT, JR. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. HUGH D. SCOTT, JR. Mr. Speaker, we are asked to support the President in this crisis. Obviously that is the duty of all Americans, but how can we support the President unless we know what the President stands for? How can we support the foreign policy of the United States unless we know what it is?

As one of the first two Members of Congress ever to fight in combat under the United Nations flag I think it is of primary importance that we support the activities of those who have done the dying for us in Korea. The State Department has consistently failed to inform any but a very few Members of Congress of what it is doing and they do not tell those Members much. We do not expect that they will tell us matters of high level military strategy or great foreign policy import of the utmost secrecy, but it is high time that the State Department and the President of the United States took the Congress of the United States and the individual Members of this Congress into their confidence.

SPECIAL ORDERS GRANTED

Mr. HALE asked and was given permission to address the House for 25 minutes tomorrow, following the legislative business of the day and special orders heretofore entered.

Mr. HUGH D. SCOTT, JR., asked and was given permission to address the House for 20 minutes tomorrow, following the legislative program of the day and special orders heretofore entered.

EDUCATION AND TRAINING FOR SERVICE-CONNECTED VETERANS

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, yesterday the President sent a message to Congress requesting the Congress to act immediately on a bill providing compensation and training under Public Law 16 for the disabled veterans of world war III. He also suggested, and I heartily approve, giving GI benefits to the men coming out of the war who are not disabled. After the Korean War started I introduced bills giving these men these benefits and insurance benefits. They should have been passed then. They should be passed immediately. Certainly no group of men suffered more under extremely difficult situations than the boys who are now fighting for us in Korea. They deserve our gratitude and our help. We must not fail them.

ANSWER TO PRESIDENT TRUMAN'S MESSAGE

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. RANKIN. Mr. Speaker, on yesterday, the President submitted a message to the Congress urging the extension of Public Law 16 of the Seventy-eighth Congress, to provide education and training for service-connected veterans who are disabled as a result of their service in the Korean War.

I want to call to the attention of the House that on the first day that Congress resumed session on November 27, I introduced H. R. 9775, which will carry out the purpose enunciated in that message.

This bill would continue the program under which World War II veterans were rehabilitated and qualified for civilian employment. It was originally enacted in 1943, and in effect, is a continuation of a program started after World War I.

At an early date, I expect to have an executive session of the Committee on Veterans' Affairs to consider this measure.

LEGISLATIVE PROGRAM

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, may I inquire of the majority leader as to the program for tomorrow? I understand there has been another change in the program and I would like to know what it is.

Mr. McCORMACK. Mr. Speaker, the Committee on Banking and Currency has reported a bill extending rent control for 3 months. The Committee on Rules will meet this afternoon. If a rule is reported out I shall program that bill for consideration. The bill in relation to the separation of airmail was assigned subject, of course, to other important legislation having prior consideration. So if a rule is reported out this afternoon the rent control bill will come up for consideration tomorrow.

Mr. MARTIN of Massachusetts. We have every reason to expect that is what will happen?

Mr. McCORMACK. I hope so.

EXTENSION OF REMARKS

Mr. O'TOOLE asked and was given permission to extend his remarks in the RECORD and include an article by Raymond Moley.

Mr. PERKINS asked and was given permission to extend his remarks in two instances, in one to include an editorial entitled "Get Out of Korea or Fight China," and in the other a letter from Hal J. Miller.

Mr. DOLLINGER asked and was given permission to extend his remarks and include a newspaper article.

Mr. LANE asked and was given permission to extend his remarks in three separate instances, and in each to include extraneous matter.

Mr. RIVERS asked and was given permission to extend his remarks and include three editorials.

Mr. BIEMILLER asked and was given permission to extend his remarks in two separate instances and in each to include extraneous matter.

Mr. ARENDS asked and was given permission to extend his remarks and include a resolution adopted by the Rotary Club, of Atlanta, Ill.

Mr. NICHOLSON asked and was given permission to extend in the Appendix of the RECORD an article entitled "Jurors Unshaken in Verdict Sacco and Vanzetti Guilty," notwithstanding that it exceeds the limit and is estimated by the Public Printer to cost $533.

Mr. AUGUST H. ANDRESEN asked and was given permission to extend his remarks and include several resolutions.

Mr. CRAWFORD asked and was given permission to extend his remarks and include an editorial.

Mr. O'SULLIVAN asked and was given permission to extend his remarks and include an article entitled "God and the Welfare State" which is estimated by the Public Printer to cost $266.50.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that Calendar Wednesday business of this week be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

CALL OF THE HOUSE

Mr. DOUGHTON. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. The Chair will count.

Mr. DOUGHTON. Mr. Speaker, I withdraw the point of no quorum.

Mr. RICH. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 289]

Bates, Ky.	Jennings	Pfeiffer, William L.
Beall	Kearns	Philbin
Buckley, Ill.	Kee	Powell
Byrne, N. Y.	Keefe	Rooney
Cannon	Kelley, Pa.	Roosevelt
Cavalcante	Kennedy	Sanborn
Crosser	Kirwan	Shelley
Davenport	LeCompte	Sheppard
Davies, N. Y.	Lichtenwalter	Smathers
Dingell	McGuire	Smith, Ohio
Eaton	McMillen, Ill.	Van Zandt
Gavin	Marcantonio	Vursell
Gillette	Miller, Calif.	Whitaker
Hays, Ark.	Morrison	White, Idaho
Hébert	O'Konski	Whitten
Herter	Patman	
Huber	Pfeifer, Joseph L.	
Jackson, Calif.		

The SPEAKER. On this roll call, 369 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

EXCESS-PROFITS TAX ACT OF 1950

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 9827) to provide revenue by imposing a corporate excess-profits tax, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H. R. 9827, with Mr. WALTER in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, the pending bill, H. R. 9827, is before the House today for consideration by a vote of 19 to 6 of the members of the Ways and Means Committee. This bill is in response to the mandate contained in section 701 of the Revenue Act of 1950.

It will be remembered that there was considerable interest manifested in an excess-profits tax during the last session of Congress and an effort was made in the other body to include an amendment providing an excess-profits tax. At that time, after considerable debate, it finally resulted in section 701 being included in the Revenue Act of 1950 which provided that the Committee on Ways and Means should report an excess-profits tax bill at this session of the Congress.

Your committee began work on November 15 and held public hearings for several days. From that time up until now it has given consideration to this subject in executive session. I believe it is fair to say that the pending bill is a better measure than I ever hoped we would be able to provide, especially with the limited time that we had to devote to this important subject.

This excess-profits tax bill is patterned very closely along the lines of the excess-profits tax law of World War II, but is much more liberal in many provisions and deals much more leniently with the taxpayer than did the Excess Profits Tax Act of World War II. This bill provides for one thing, and one thing only, and that is an excess-profits tax on corporations. No other tax provisions are included in this measure except such provisions as may be necessary to carry out the purposes of this bill.

This bill is to be effective from July 1, 1950, and is estimated to yield $3,400,000,000 of revenue for the first calendar year and $4,600,000,000 of revenue for the next calendar year. The bill includes what is known as the alternative plan to be used by corporations in arriving at their excess-profits-tax credit. It provides for the use of what is known as the average-earnings method or the invested-capital method. The base period provided is the 4 years from 1946 to 1949, inclusive. A corporation may take the 3 best out of the 4 years in arriving at this excess-profits-tax credit. If the corporation elects to use the invested-capital method it is allowed a certain return on the invested capital of its business. For the first $5,000,000 it is allowed to make 12 percent; for the next $5,000,000, 10 percent; and all above $10,000,000, 8 percent. The rate provided under this bill is 75 percent, and is applied to 85 percent of the average for the base-period years, if the average-earnings credit is elected. There is an over-all ceiling of 67 percent which applies to the corporation's income tax and excess-profits tax. In other words, not more than 67 percent of the corporation's earnings can be affected by the combined corporation taxes.

It is estimated that this bill will affect about 70,000 of the largest corporations in the country. A specific credit of $25,000 is provided, which is especially in the interest of the smaller corporations of the country and will result, in many of them, in fact, we believe most of them, not having to pay an excess-profits tax. Adequate provisions are included for new and expanding businesses, and a growth formula is provided that will take care of the normal and expected growth of corporations.

Now, with your indulgence, I would like to take a few minutes to very briefly compare some of the most important provisions in the pending bill with the excess-profits tax in effect during World War II. As I said a moment ago, the rate provided under this bill is 75 percent.

Under the World War II Excess Profits Tax Act the rate was 95 percent, and was effective at 85½ percent after the postwar refund was allowed.

The over-all rate limitation on income and excess-profits taxes under this bill is 67 percent. Under the World War II act it was 80 percent, and was 72 percent after the postwar refund.

The minimum credit or exemption under this bill is $25,000. Under the World War II Excess Profits Tax Act a $10,000 specific exemption was provided.

There is a choice of earnings credit or invested-capital credit, whichever produces the lower tax.

The base period under this bill is from 1946 through 1949. Under the World War II Excess Profits Act the base period was 1936 through 1939.

As to the earnings credit and elimination of poor years in the base period, the taxpayer may select the best three out of four base-period years under this bill. There was no such selection provided under the World War II act. Also any deficits in the 3 years chosen may be raised to zero. There was no such provision in the World War II act.

The earnings credit, adjustment in average base-period earnings, is reduced to 85 percent. Under the World War II act it was 95 percent.

Under the invested-capital credit, the rate of return on equity and retained earnings is on the first $5,000,000, 12 percent. Under the World War II act it was 8 percent. On the next $5,000,000 under this bill it is 10 percent. Under the World War II act it was 6 percent. On all over $10,000,000 under this bill the credit is 8 percent. Under the World War II act it was 5 percent.

Invested-capital credit—rate of return on borrowed capital: The interest deduction under this bill is allowed in full. Under the World War II act it was limited to one-half. The additional allowance is one-third of the interest rate with a ceiling of 3 percent and, in the case of long-term obligations, a floor of 1 percent. Under the World War II act credit was given for one-half the amount of borrowed capital.

There is a total allowance under this bill of 133 percent of interest payable, subject to the floor and the ceiling I have just mentioned.

Under the earnings credit, additions to capital are allowed during the base period. There is an upward adjustment in the earnings credit permitted for any net additions to equity capital, retained earnings, and borrowed capital in 1949 and for one-half of any such additions in 1948. No adjustments of this type were allowed under the World War II act.

There is also a rate of upward adjustment for such net additions to equity capital and retained earnings of 12 percent, and a rate of upward adjustment for such net additions to borrowed capital of one-third of the interest rate.

Under both the earnings credit and the invested-capital credit, upward adjustment is made for net addition to equity capital and retained earnings after the base period. For all taxpayers, allowance at the rate of 12 percent is provided on both equity capital and new retained earnings. Under the World War II act there were no such liberal provisions provided.

Under the earnings credit, provision is made for the downward adjustment for net reductions in equity capital and retained earnings after the base period at the rate of 12 percent. Under the World War II act that rate was 6 percent.

Under the earnings credit certain reductions in borrowed capital after the base period are taken into account. The adjustment downward is equal to one-third of the interest rate. There were no such provisions provided under the World War II act.

Another important provision relates to new corporations organized after the beginning of the base period. As an alternative to its usual credit the taxpayer may apply to its invested capital after 3 years of growth or at the end of the base period, if later, the average rate of return on invested capital for its industry in the base period.

In the case of a substantial change during the base period in a product or a service by the corporation organized before 1946, an alternative credit is provided. The taxpayer may apply industry rates of return to its invested capital and may get the benefit of that. In other words the experience of the industry as reflected upon the business of this individual corporation may be used as a credit.

For smaller corporations, organized before the beginning of the base period, and experiencing growth in the base period, an alternative credit is provided. Such a taxpayer meeting the following requirements may use 1949 earnings, or the average of 1948 and 1949 earnings as its average base-period earnings, if in the last half of the base period its payroll was 30 percent higher, or its gross receipts were 50 percent higher than in the first half of the base period, and its assets did not exceed $20,000,000 at the beginning of the base period.

Mr. Chairman, provision is made for the exclusion of nonrecurrent items of income and deductions in computing the excess-profits net income. For the excess-profits credit of public utilities a minimum of 5 percent after taxes on both equity and borrowed capital in the case of airplanes and railroads is provided, and 6 percent in the case of most other public utilities. Provision is made for the carry-back and carry-forward of net operating losses, 1-year carry-back and 5 years carry-forward. As to unused excess-profits credit the carry-back and carry-forward is provided—1 year of carry-back and 5 years of carry-forward.

Mr. Chairman, as I indicated in my opening remarks your committee has given very careful and adequate consideration to this very difficult problem and brings you this bill today feeling confident that it is worthy of your most careful consideration and support.

Mr. FORD. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. FORD. I would like to have a little specific information on the difference between the $25,000 minimum credit in the pending bill and the $10,000 specific exemption that was in the law after World War II.

Mr. COOPER. Under the World War II act a corporation was allowed a specific exemption of $10,000. Under this bill the corporation is allowed a credit of not to exceed $25,000. In other words, the specific exemption of $10,000 was just given as an exemption, but under this bill the corporation is allowed a minimum credit of $25,000. In other words, if a corporation has a credit of $10,000, it may be brought up to the $25,000, and that amount of credit applied.

Mr. FORD. Why do they use different phraseology? Why could it not have been a $25,000 specific exemption? Why do you change the phraseology?

Mr. COOPER. It was thought better, and would meet the exact problem that was now apparent better than the old method.

Mr. FORD. In effect, is it a $25,000 specific exemption?

Mr. COOPER. Well, for all practical purposes it amounts to that for corporations with average earnings below $25,000.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MILLS. Is it not true that as the committee agreed upon the $25,000 specific exemption in lieu of the $25,000 minimum credit, the revenue under the bill would have been decreased by approximately $400,000,000?

Mr. COOPER. There would have been a great effect on the revenue.

Mr. JAVITS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. JAVITS. Will the gentleman point in the bill specifically to what was done with respect to the objections of the radio industry and the aircraft industry, who claimed that because they had spent so much money on television and new models, respectively, the earnings in the 1946–49 period were not a fair base, compared to the fact that they were going to profit from those improvements in the following years?

Mr. MILLS. Will the gentleman yield?

Mr. COOPER. I yield.

Mr. MILLS. I would suggest to the gentleman from New York that he read the RECORD of yesterday, beginning at page 16088, the answer to that question given by his colleague.

Mr. JAVITS. That refers specifically to these two items?

Mr. MILLS. It does.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. CASE of South Dakota. Does this bill in any sense interfere with the renegotiation statute as it was reenacted by the supplemental defense appropriation bill in 1948?

Mr. COOPER. No. This bill has no relation whatever to the Renegotiation Act. I might say to the gentleman that the Committee on Ways and Means has that subject under consideration now. In fact, we have already held public hearings on renegotiation, and have reached the point that it was thought advisable for a little time to be allowed for some of the departments to reconcile some of the different views that were apparent, and for that reason we have suspended. But I feel confident that the committee will come forward with an adequate renegotiation bill to take care of the situation during this war, as it did during the last war.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman two additional minutes.

Mr. CASE of South Dakota. In the supplementary appropriation bill for 1948, when we provided additional funds for the Air Force, we provided that renegotiation would be reinstituted for that money and for any money merged with it. So it is now applicable to many defense contracts at the present time.

Mr. COOPER. The gentleman is correct.

Mr. CASE of South Dakota. What the gentleman is saying is that the committee has had hearings and expects to expand the existing defense funds renegotiation statute in a comprehensive way to meet the current war situation?

Mr. COOPER. The gentleman is correct.

Mr. HOBBS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. HOBBS. I simply rise, Mr. Chairman, to thank the distinguished gentleman who has just addressed us for the very lucid explanation that he has made of the bill, and the explanations that have been made by the distinguished chairman of the Ways and Means Committee, and his associates. I want to tell the gentleman of our gratitude in the way that the committee has seen fit to bring in this piece of legislation which, as he expressed it so carefully, is more liberal and still accomplishes the purposes sought by the House.

Mr. COOPER. I thank the gentleman.

Mr. Chairman, I ask unanimous consent that the gentleman from Michigan [Mr. DINGELL] be given permission to extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. DINGELL. Mr. Chairman, the bill which the House has under consideration today, H. R. 9827, in over-all is a disappointment to me because it will not raise as much revenue as I would like to see raised. But since it is a question of getting at some excess-profits taxes or failing to get at any, I had to compromise in the committee on many of the provisions. As we all realize, additional revenue will have to be raised in the immediate future from normal and surtaxes on corporations.

The most vocal opposition to an excess-profits tax bill in any form before our committee was voiced primarily by big corporations. The smaller businesses admitted in general that an excess-profits tax law should be enacted, and offered many constructive suggestions as to how such a law should be drafted.

I would liked to have seen at least $5,000,000,000 or more raised by this bill. It could have been done very easily, and corporations would have been able to pay this $5,000,000,000 in additional taxes and still have more left after taxes than they did last year. Corporation profits after taxes in the second quarter of 1950 were at an annual rate of $22,000,000,000. For the year 1949, corporation profits, after taxes, were $17,000,000,000. Within the last few months, corporation profits have risen $51 percent.

We must all remember that the period since World War II has been a period of unusual business prosperity throughout the country due to built-up demands, accumulated savings during World War II, and large postwar defense expenditures. This is directly a result of World War II, and is adequate justification for not allowing 100 percent of the base-period years 1946–49 as normal earnings. We certainly should have used 75 percent of this base period rather than the 85 percent which is contained in the bill.

This bill is much more equitable and liberal than the World War II excess-profits tax law. Many of the complaints which were levied at the World War II law and suggestions which were made as to how the new law should be written have been taken care of in this bill.

I would like to put the House on notice now that I will not vote for a repeal of this law when conditions are again normal until wartime excise taxes have been repealed.

Mr. REED of New York. Mr. Chairman, I yield 20 minutes to the distinguished gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, Americans are quite unanimous in their feeling that individuals or business concerns should not be permitted to unjustly enrich themselves while others are making the sacrifices of war. I concur in that sentiment.

Great difficulties are encountered in writing a tax bill that will conform to this general principle. The people of the country expect the Congress to pass a bill that is sound, anti-inflationary, and one that is for the best interests of our American economy. They expect the application of an excess-profits law to be fair as between one business concern and another business concern, or many concerns. This bill is a disappointment not in regard to its objectives but in regard to the pattern it follows and the lack of thorough consideration that it received. In voting for it, I sincerely hope that the Senate Finance Committee and the Senate as a body can greatly improve the details of this measure.

While this bill will take from our American economy several billion dollars, the measure has not received the committee's study that it should have had.

Let me say that our chairman in his usual way was fair and courteous, that he granted to every member every possible consideration insofar as he could in the time allotted. I have no objection to what transpired before the bill was sent to the drafting service. I do, however, wish to say something about it from that point on.

This proposal consists of 148 pages. The committee received it one morning about 10 o'clock, and the bill was approved before 12 o'clock noon that same day. The committee did not have an opportunity to read the bill section by section and discuss its meaning or offer amendments to improve the bill. A staff member appeared with a copy of the bill. He would, for instance, advise us that page 1 did certain things, then call our attention to a few lines on page 2, and then refer us to certain lines on page 7. In this way the committee skipped through the bill. This Congress has received a mandate from no one to be anything other than thorough and careful in the writing of legislation.

A staff member who was charged with drafting duties informed the committee that the bill contained certain sections that he himself had not read, that because of the shortness of time others, including men from the Treasury Department, had drawn certain sections. They were thrown together without an opportunity for even the drafting service to read their finished product in its entirety.

It is also a fact that the committee never held a truly executive session. There were some sessions where the taxpaying public was excluded, but a large number of the Treasury staff and employees were always present.

It is regrettable that someone has not come up with a better formula to tax those profits that are excessive, unjust wartime profits. This bill may be an improvement in some regard over the law that existed during World War II. Generally speaking, however, it follows the same pattern used in World War I and II. This calls for the determination of the normal regular income of a business concern and taxing the profits over that amount at a high rate. In this bill the rate is 75 percent.

There are many weaknesses about such a formula in taxing excess profits. As a general rule, a concern with modest profits during a base period will pay a very heavy excess-profits tax, while a concern with extremely high profits in a base period will pay little or no excess-profits tax, assuming that the two concerns are of like size and make the same amount of money a year during the operation of the excess-profits tax. This basic criticism cannot be brushed aside on the theory that there will always be inequities and injustices. This is the general rule, not the exception. It was disappointing that the Treasury with its huge staff and its years of experience in administering tax laws did not come up with a better formula and did not make themselves more helpful to the committee.

It has been said that this bill carries a so-called growth formula whereby a young small company beginning to grow, as the result of good management and the soundness of their production, would not be declared to be earning wartime excess profits and their growth prevented. Such a thing is bad for our economy. It is bad for the consumer because in the last analysis the consumer pays a good share of all taxes. Whenever a very small concern succeeds in becoming a middle-sized concern, the increased competition provides a better product of lower cost to the public and keeps our economy alive and productive. This makes us strong in peace as well as in war. Whenever a middle-sized concern for meritorious reasons grows into a larger one, the public likewise benefits for the same reason. Shall we consider all normal growth as wartime excessive profits?

To deny small concerns the right to grow entrenches the large monopolistic concerns. It gives the concern that is already large a free field. It lessens their competition and the public pays.

The weakness of the growth formula attempted in this bill goes back to the weakness of attempting to reach excess profits by starting out with a base period. The company that can show a growth in the base period may get some benefits from this. The small company that has potentialities for growth but that growth is not shown in the base period will not receive much help.

In connection with growth companies, certain of them will under the right set of circumstances be permitted to take the average earnings of their particular industry as the base from which they

might figure their excess-profits tax. Certainly the concern whose earnings are less than average is not having earnings that are excessive. This principle should be applied to all the taxpayers coming under the excess-profits-tax law. It would simplify the procedure, make the administration less costly and go a long way in relieving some of the hardship cases. If our objective is to eliminate unreasonable and excessive wartime profits, our bill should be confined to that regardless of how much revenue it raises. It follows that other taxes will likewise have to be raised. The big job ahead is going to be so costly that if we maintain a pay-as-you-go system, all taxes will have to be increased.

The theory of this bill before us is that the company shall take the average of their profits of any 3 years from 1946 to 1949, inclusive, and that 85 percent of this average is their excessive profits tax credit. As it is determined what the profits of a company are, this excess-profits-tax credit is subtracted and a tax rate of 75 percent is applied to the so-called excess. Or, a concern may ascertain the amount of their invested capital and apply a percentage rate set forth in the bill to determine what their excess-profits-tax credit is in that manner. As stated previously, if the excess-profits-tax credit is high, the tax to be paid is low. This rewards the concern whose past profits have been very high. It punishes the concern which for some good reason has had abnormally low profits during the so-called base period.

For instance, if a country bank whose average profits during 3 of the 4 years of the base period is $40,000, their excess-profits-tax credit under this bill would be 85 percent of that, or $34,000. If next year they make $38,000, even though their earnings are $2,000 below normal or average, they will have $3,000 excess-profits tax to pay. It may be necessary to raise the taxes of this corporation even though their earnings are not up to average. We should not call it excess, however. It should be a simple raise in the surtax rates and apply it to all corporations alike. In order to determine the true excess-profits tax that is earned, 100 percent of the average should be taken, not 85 percent. This may not bring in quite as much revenue, but that additional revenue can be reached by an across-the-board raise of the regular corporation taxes. It is my belief that the Congress should give special attention to those very small concerns that are making a struggling start. I refer to that small corporation that is not really any larger than a small partnership or an individually owned enterprise. It may consist of a man with a good idea, integrity, a lot of ambition, and a mere handful of employees. Such a concern is entitled to more consideration than the great monopolistic concerns of our country. It is from these small beginnings that we get our industrial progress. The growth of these small concerns means more competition, better products at lower cost, as well as more jobs and more revenue for the Federal Treasury. In the World War II act, there was a $10,000 exemption over the excess-profits-tax credit before applying the tax. Such an exemption would not mean anything taxwise to the huge far-reaching corporations of the country. It would mean a great deal to the little, new concern that I just mentioned. Such an exemption should have been placed in this bill. I offered a motion in the committee for such an exemption, but I regret to report that it was voted down by a vote of 15 to 10.

The experience of an excess-profits tax in World War II was not very satisfactory. While it raised quite a little money, its application to the various businesses of the country was not uniform and was not equitable. The industry of no State in the Union received harsher treatment under the World War II excess-profits law than did the industry of my own State of Nebraska.

The World War II excess-profits tax had as its base period the average income from 1936 to 1939. That law, too, had an alternative of computing the base upon the capital investment. That approach was not practical for a great many corporations; 1936 to 1939 were drought years in Nebraska. Consequently, the average income of business concerns in that period was very low. It was abnormal, yet the law said that this is the normal period, and everything earned above that was excess profits. While my State was being penalized, high earning corporations in other sections of the country were not paying their share.

In the World War II act there was sort of a catch-all relief section. This section delegated authority for the adjustment of hardship cases. It has been referred to as section 722. It has cost the taxpayers millions and millions of dollars to administer section 722. It has cost industry millions and millions of dollars to present their cases under section 722. Countless thousands of meritorious hardship cases were denied. Thousands of cases are still pending. They are still a drain on the Federal Treasury. One witness testified that his concern in presenting their 722 case, assigned 40 men for a year to prepare the claim. Small business just cannot do that. Small business, by and large, has received no help under section 722 of the old law. Rather than to hire accountants, statisticians, and lawyers for months and years to prepare their claim, the average small concern throws up their hands and says, "What's the use?" They suffer the injustice. These section 722 cases should be cleaned up. Under that law the taxpayer was denied the right to appeal in section 722 cases to any court other than the Tax Court. Were these taxpayers to appeal a few of these cases it would clear up the situation. It would mean a quicker ending of these controversies. It would relieve needed personnel in the Treasury Department for other duties. In the committee I offered an amendment to the present bill which would have permitted an appeal in section 722 cases, as is allowed in other tax cases. Unfortunately it was voted down by a vote of 15 to 10. I feel that this Congress will not have discharged its public duty properly until steps are taken to expedite the handling of these 722 cases in a manner that is fair to the taxpayer and fair to the Federal Treasury.

Another weakness of this pattern for an excess-profits tax law is that it is inflationary. Suppose the union leaders and management are gathered around the table in a wage dispute in connection with a concern paying the excess-profits tax. If the union leaders can say to management, "Why should you resist our demand for a raise—the Federal Treasury will pay three-fourths of this entire bill anyway," the judgment and the resistance of management is bound to be influenced thereby. The result is the spiral of high prices is given a boost, the consumers pay more, and even the increased wages buy less. These influences in our economy are extremely hard on the people living on a fixed income, whether it be a small amount of savings, a fixed salary, a pension check, an old-age-assistance check, or any other individual whose income is small. Some of the people shouting the loudest for this particular type of excess-profits tax law are motivated by their own selfishness and greed and are totally disregarding the rights and the needs of the consumers of the country.

This bill has many shortcomings when it is viewed in the light of our national defense. The most eminent authority that I know of concerning the impact of this bill on our defense is the gentleman from Iowa [Mr. MARTIN], a member of our committee. I hope that due attention will be given to what he has to say in regard to this bill and that his suggestions can be followed. If we are to err, let us err on the side of the defense of America.

Mr. Chairman, I sincerely hope that before this bill becomes a law some drastic changes can be made in it.

Mr. FORD. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. FORD. I am still not entirely clear as to the difference between a specific exemption and a minimum credit. To simplify your explanation, assume that this bill has a $10,000 specific minimum credit similar to what existed in the World War II act. Will the gentleman state the practical effect of the language now used?

Mr. CURTIS. Under the old law, the concern determined what their base, or, as they called it, what the income-tax credit was. Then they added a $10,000 exemption before they applied the tax.

Mr. FORD. Before they applied the 85 percent?

Mr. CURTIS. Yes; the excess-profits tax. In this bill no specific exemption is given. They have a minimum excess-profits-tax credit of $25,000, which helps the corporation which makes no more than $25,000, and those only. A corporation making $15,000 can make up to $25,000 before they pay the tax. The corporation making $2,000 can make up to $25,000 before they pay this excess-profits tax. But it does nothing for the corporation that makes $26,000. It does nothing for the corporation which makes $30,000 or $40,000 or $50,000. So, with the exception of corporations that make less than $25,000, there is no exemption

in this bill from the excess-profits-tax law, and there should be.

Mr. REED of New York. Mr. Chairman, I ask unanimous consent that the gentleman from Michigan [Mr. WOODRUFF] be given permission to extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. WOODRUFF. Mr. Chairman, if political panic grips the Congress, to whom shall the people turn in these grave days when the fate of the world hangs precariously in the balance? Judgment, reason, and calm must be our guiding principles.

Unfortunately, the bill before the Congress today is not the result of the calm consideration and judgment of the great and distinguished Committee on Ways and Means. It is the result of emotional hysteria. It is not a sound excess-profits-tax bill; it is an excess politics bill.

I am sure every Member of this House is united in the threefold common objective of taking the profits out of war, raising additional revenue, and stemming the rising tide of inflation. The issue before us today is not whether or not to pass legislation to achieve these objectives—the issue is rather what kind of legislation will most effectively achieve these ends. One thing, and one thing only, is certain—production and more production is the greatest weapon against inflation and is indeed the key to our survival. It would be calamitous if in a moment of hysterical panic the Congress should erect a tax barrier around the expansion of our industrial economy. We must have tanks, guns, and airplanes, and we must have them quickly. This will mean that the capacity of our defense industries must be expanded, new and growing enterprises capable of producing war matériel must be encouraged, and funds must be available for research and development.

Viewed with these objectives in mind H. R. 9827 is seriously defective. But how could it be otherwise for haste was the password, haste was the policy—haste at any price—and the net result is that the bill H. R. 9827, perhaps the most signal revenue bill ever to come before the committee, was never even read or analyzed by the committee. We are not legislating for this year or next year. We are probably legislating for many years to come.

Do you wonder, Mr. Chairman, why we Republicans have raised our voices against the perfunctory treatment given this legislation?

Do you wonder, Mr. Chairman, why we protest with all the vigor at our command against the delegation to the executive branch of the constitutional right of the Congress to write tax legislation?

In my opinion the most basic defect of H. R. 9827 is that it is dishonest. It is dishonest because it in effect taxes both normal profits and excess profits under the excess-profits machinery. This is done by arbitrarily reducing the excess-profits credit based on income from 100 to 85 percent. If we assume, as the bill does, that the earnings of the period 1946–49 are the yardstick for normal profits, then why should the credit for normal profits be reduced? The only justification is that by reducing the credit more revenue will be gained. But if normal profits are to be taxed, as is done under this bill, then why not be honest about it and spread the increased tax burden more equitably? Why should all the inequities and discriminations inherent in any type of a tax which attempts to set an arbitrary amount as normal be confined to what might more fairly be described as war profits?

Another serious defect of the bill is the inadequacy of the relief provisions, particularly for new and growing companies or for companies which have new products or services in the base period. There is absolutely no reason why the alternate method for computing average base-period income based on growth should be limited only to taxpayers which were in business during the entire base period and whose total assets as of the beginning of the base period did not exceed $20,000,000. The $20,000,000 figure was never analyzed by the committee, and it is obvious that it will work serious discriminations among many corporate taxpayers. Moreover, it is far from clear just what the total assets for this purpose consist of although it appears that they will be limited to the sum of cash and property other than cash used in the taxpayer's business.

In attempting to provide automatic formulas for each of the most important types of cases which arose under section 722 of the old law H. R. 9827 creates almost as many new problems as the problems which it attempts to solve. Not only is the restriction of the $20,000,000 total assets in the beginning of the base period inadequate for growing corporations, but the relief provided for corporations which added new products or services in the base period is inadequate. In general H. R. 9827 provides that a corporation which makes a substantial change in its business by introducing a new product or service before the end of the base period may use as an alternative credit a rate equal to the average of its industry. It is proposed that the figures used for the industry's average will be in accord with the classification used by the Treasury Department in compiling published statistics from corporation income-tax returns. These will be unsatisfactory at best and it should be pointed out that the figures are not now available and will not be finally available until sometime in 1952.

The relief intended as the substitute for section 722 (b) (4) of the World War II law is defective in several respects. In the first place the relief is available only if the following two tests are met: First, the new product or service produces more than one-third of the taxpayer's net income by the end of the third year following the year the product or service was introduced; and, second, the taxpayer's net income for any one of the first 3 years in which it meets the qualification described above is more than 25 percent greater than the taxpayer's average net income for the base period year or years preceding the year of change to the new product or service. The requirement that net income from the new product exceed one-third of total net income within 3 years after the end of the base period would virtually exclude all existing manufacturers of multiple lines of products. For example, a pharmaceutical company may regularly sell several hundred different types of drugs. It may introduce a new biotic with substantial earnings capacity but it can hardly be expected that for such a manufacturer any single new product will ever account for more than one-third of total profits. The same would be true in the case of household appliance manufacturers, chemical companies, textile manufacturers, and others.

No recognition is given in H. R. 9827 to new production facilities, changes in method of operations, or new management. The formula would be of no value whatever to manufacturers of standard parts whose business increases substantially as a result of new end products introduced by their customers.

No provision is made for a company in an industry which itself was new and in which no members had a normal rate of return. This is again particularly true, for example, of the television industry which was heavily engaged in research and development in the base period and did not begin to realize a satisfactory return until early 1950. Moreover, television manufacturing was not an industry during the base period and would undoubtedly be classified with many companies having radically different types of business and rates of return.

Inasmuch as the Democratic majority on the Committee on Ways and Means saw fit to report out H. R. 9827 with so many defects, it is now a most difficult problem to undo the damage. Certainly, however, as a bare minimum, special relief should be provided for the electronics industry, the aircraft-production industry, the precision-instruments industry, and other of our essential defense industries which suffered abnormalities in the base period and for which H. R. 9827 does not afford adequate relief. A considerable improvement can be made on H. R. 9827 by adoption of the Republican motion to recommit. The adoption of this motion will mean that the objectives of taking the profits out of war, raising additional revenue, and combating inflation will be better achieved by eliminating the 15-percent cut-back in the average earnings credit, and the application of the 75-percent special tax will be more nearly limited to direct war profits. And at the same time by increasing the surtax rate by 5 percentage points the additional revenue required to finance our accelerated defense program will be spread more equally among 300,000 corporations. The 100,000 corporations with taxable incomes of $25,000 and less will not be affected. In addition the inherently inflationary qualities of an excess-profits tax which establishes a high marginal rate will be reduced.

It is estimated that if the Republican motion to recommit is adopted, there will be an increase in revenue over H. R.

9827 by between $500,000,000 and $1,800,000,000.

Let those who are truly interested in the growth and expansion of our free competitive economy now stand up and be counted.

Let those who are truly interested in seeing that our boys in Korea get the guns, planes, and ammunition they need, stand up and be counted.

Let those who are truly interested in combating the silent thief of inflation which now stalks the country, stand up and be counted.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, I should like to use as the basis for my remarks the views of the minority members of the Committee on Ways and Means set forth on pages 76 to 81 of the committee report of the bill before us and the remarks made by my distinguished friend from New York [Mr. REED] on yesterday appearing in the CONGRESSIONAL RECORD at page 16082. The first thing which might strike an unbiased person reading those minority views and the speech of yesterday is that the authors clearly made little contribution to the task before the committee. These statements of views are strong evidence of their effort to prevent rather than assist in the enactment of an excess-profits tax. The minority views criticize the majority for limiting consideration to an excess-profits tax, although they joined with their majority colleagues in the House in voting an overwhelming mandate in the Revenue Act of 1950 directing their committee and our committee to do this very thing and to do it during this session of the Congress.

I will yield now to any minority member of the Committee on Ways and Means who voted for the so-called Eberharter amendment when the matter was on the floor of the House during the consideration of the revenue bill of 1950, the section now known as section 701 of the act, to explain what happened between the time he voted for that direct mandate and the consideration of the bill by our committee which justifies a complete change in attitude regarding an excess-profits tax.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. Could the gentleman explain to me why the Secretary of the Treasury insisted that this bill should not be called an excess-profits tax bill, but should be called a defense-tax bill?

Mr. MILLS. The gentleman cannot answer my question by proposing another one. Did the gentleman himself vote for this mandate in the revenue bill of 1950?

Mr. BYRNES of Wisconsin. I voted, as did the gentleman and many other members of the committee, that the committee should study the proposition, yes; but I did not vote that we should bring back an unsound bill.

Mr. MILLS. We voted to have the committee report back to the House an excess-profits tax bill during the Eighty-first Congress, if the Congress was in session after November 15.

Mr. BYRNES of Wisconsin. Will the gentleman yield further?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. I just want to make this one comment that I think the gentleman is straining at the interpretation of section 701. I think that is a matter over which there can be a difference of opinion.

Mr. MILLS. Does the gentleman mean to say that this is not an excess-profits-tax bill?

Mr. BYRNES of Wisconsin. No. I did not say that. If the gentleman does not want to yield me sufficient time to answer him, I will forget it.

Mr. MILLS. I am sorry. I apologize.

The minority views criticize the majority for limiting consideration of an excess-profits tax, although they joined with their majority colleagues in the House in voting a mandate in the revenue bill of 1950, directing their committee and our committee to do this very thing and to do it at this session of the Congress. Yet, what do we find the majority saying? I will not include my friend, the gentleman from Illinois [Mr. MASON], because he did not do that. He did not vote for it, but I think the gentleman from Illinois [Mr. MASON] is the only member of the committee who did not vote for the mandate. Am I right or wrong?

Mr. MASON. I do not know about the others. All I know is about myself.

Mr. MILLS. The gentleman did not vote for the Eberharter amendment.

Now, I quote from the minority report:

> Another most serious criticism of the approach of the majority in preparing this legislation was that at no time did the committee give consideration to the enactment of a renegotiation law similar to that which recaptured $6,000,000,000 of profits arising from World War II.

Is that the type of excess-profits tax that you meant the committee to report when you voted for that mandate in September of this year? Actually, all of us know that our committee has had under consideration amendments to the Renegotiation Act. I use the word "amendments," because we have a Renegotiation Act on the statute books now, a part of the appropriation bill of 1948. Of course, the act itself needs to be amended, and all of us know that one of the first things that will be done by the Eighty-second Congress is to amend and strengthen the Renegotiation Act. However, no one can seriously maintain that a contract renegotiation statute can replace or even greatly relieve the necessity for a tax on excess profits arising out of the defense program. Total appropriations for defense purposes in this fiscal year amount to about one-sixth of the estimated gross national product, and even smaller proportions of the gross national product will actually represent production in the performance of defense contracts. Five-sixths of the national product, therefore, will escape, if you have nothing more than a renegotiation law.

I think, from this sample of their views, it should be clear that the minority did not take seriously their commitment to have the Committee on Ways and Means report an excess-profits-tax bill at this section of the Congress. But I do want to assure you that the majority did take that commitment very seriously, and we told you that when the Revenue Act of 1950 passed. I know of no more convincing evidence of this than the great effort made by our chairman to see that our side, despite the opposition, did fully and truly perform its duty.

I do not propose today to tell you that every single provision in this bill has been perfected to a point where no improvement can be made. Everyone knows we were working under great pressure. The committee staff and others, after working for months in preparation for this bill, have been almost continuously at their posts night and day in recent weeks, since October 15, in order to see that all important matters were brought before the committee and that all essential information necessary to reach a reasonable conclusion was provided.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. REED of New York. Does the gentleman intend to refer to me further in his remarks?

Mr. MILLS. Nothing more than this. I was in hopes you would ask me, but as I read your speech this morning in the CONGRESSIONAL RECORD, I wondered whether or not you were attempting yesterday to emulate that great prophet of old, Jeremiah, when he wrote the Lamentations.

Mr. REED of New York. If the gentleman so construes it, very well, but I think those people who understand taxation know exactly what I mean.

Mr. MILLS. The gentleman has indicated that he does not understand anything about this bill. I am surprised. He has always seemed to me to be so intelligent. But the gentleman takes the Democratic members of the committee to task, he castigates us from the first line of his speech to the last line of his speech. I want to make this suggestion to the gentleman, that if he has an investigation sometime in the future to determine who wrote this bill that he enlarge the scope of the investigation to find out what happened to himself and the other members of his party on the Ways and Means Committee who changed their viewpoint completely from their vote in September to their vote when this bill was reported by the committee.

Mr. REED of New York. We never had a mandate to bring in here the type of bill that you brought in.

Mr. MILLS. The gentleman misunderstood the whole thing, then.

Mr. REED of New York. I am sure the gentleman from Arkansas has.

Mr. MILLS. We will leave that decision to the House.

Mr. REED of New York. You will have a chance to.

Mr. MILLS. I am just disagreeing with the gentleman's expressed views, not with him, because I love the gentleman greatly.

Mr. REED of New York. The gentleman will have a chance to record himself a little later in the day.

Mr. MILLS. I feel that way, I may say to the gentleman. I like to think in the light of the depressing developments of the past few days that it is fortunate for our country that the Ways and Means Committee made this effort. We know that we face real problems and that it will take heroic work by our committee to keep up with the task of providing the billions of dollars additional revenue we may need over and above what will be obtained from the interim tax legislation passed this fall, and from this pending bill.

Aside from the castigation heaped by the minority in a general way, and by the speech of the gentleman from New York on yesterday in a very personal and specific way, aside from their general and largely obstructive criticisms, the minority raise six specific questions on the bill.

1. EIGHTY-FIVE PERCENT CUT-BACK OF BASE-PERIOD EARNINGS

As to their first objection, the minority report criticizes the provision of H. R. 9827 reducing the average earnings of the three best years in 1946–49 to 85 percent in computing the excess-profits credit. They assert that this represents a basic fallacy and defect, since it fails to limit the application of the 75-percent tax rate to excess profits alone. They apply some rather harsh language to this feature of the bill and ask the question, "Why, if the earnings of 1946–49 are normal, should they be reduced?" They answer that no justification has ever been made for such a reduction except on the grounds of revenue expediency.

Now I think that it should be made clear at the outset that there is nothing new in the bill in the cut-back of base-period earnings. Such a percentage reduction was made a part of the World War II law. Under the old law 95 percent of the average earnings was taken into account, and to my knowledge there has never been serious criticism of this feature. At that time it was recognized that companies who could use the base-period-earnings method had a substantial advantage over those whose credit was computed at the statutory rate on invested capital.

If a reduction to 95 percent was reasonable under the World War II tax, then an 85 percent adjustment is fully justified under the present circumstances. Corporate profits were higher in relation to invested capital or in relation to a number of other accepted standards in the 1946–49 period than they were during the base period selected for the World War II tax.

For business as a whole, earnings in 1946–49 averaged roughly 20 percent on invested capital as against 8 percent in the period 1936–39, or two and one-half times as high as in the old base period.

As the majority report points out, the period 1946–49 was one of unusual business prosperity. To a substantial degree it was built on deferred demand, accumulated liquid savings of World War II, and continued high levels of defense expenditures. Few qualified observers would contend that this unprecedented level of profitability could be expected to continue permanently. Therefore, full allowance of the base period earnings would generally produce on overstatement of normal earnings capacity in the absence of the additional stimulation produced by Korea and the defense program.

It may be granted that any specific figure used in scaling-down the general average earnings is, to some extent, arbitrary, but I submit that in the light of the fabulous earnings enjoyed by most firms and industries which will be subject to this tax, the 15-percent cutback is a moderate adjustment. I feel confident that there are very few corporate executives who would not be delighted to settle for a long-term earnings average comparable to 85 percent of what they have made in the best three recent years.

A further consideration is that, while the cutback contained in the bill is somewhat higher than was used in World War II, the proposed definition of average base-period earnings is more liberal. The right of the taxpayer to select his three best years confers an important advantage over the World War II law, which merely permitted him to substitute 75 percent of the average of the other 3 years for his worst year. In addition, the bill allows the taxpayer to treat any deficit in the 3 years as zero. The World War II law, by contrast, held the taxpayer strictly to account for his deficits so that they were taken as negatives in computing his average earnings. It is also notable that the bill, unlike the World War II tax, adjusts the base-period earnings credit upward for new capital additions from all sources in 1948 and 1949. Such adjustment is itself not subject to the cutback. These liberalizations alone go a long way toward offsetting the effect of the larger cutback.

The 15-percent cutback brings within the scope of the higher tax rate a higher portion of profits and a somewhat greater number of taxpayers than if there were no cutback. This is a more selective and, I believe, a fairer way of levying the additional burden so that it will not apply to firms whose earnings declined very substantially. In other words, I believe it is fairer to impose a special excess-profits tax using 85 percent of the base-period earnings as a starting point than to use some other method of getting the revenue at this time which would impose burdens on corporations who are experiencing difficulties in making adjustments to the defense economy.

Mind you, that is very important. A corporation must make at least 85 percent of its average in the base period, these three best years, before it is subjected to any excess-profits tax. If it makes less than 85 percent it pays only the normal tax. If you up the normal or surtax rate on all corporations, however, as I understand the motion to recommit would do, even the corporation that suffers a decline in profits will pay more tax as a result of that action.

2. H. R. 9827 IS UNDULY INFLATIONARY

According to the minority report, the bill is unduly inflationary.

This is the common argument on which many have pinned their hopes of defeating the bill. They alleged that with the 75-percent tax rate, business will go on an orgy of spending because the deduction of the expenditures from income would throw 75 percent of the cost onto the Government and leave only 25 percent to be borne by the taxpayer.

In attempting to make this point, the minority have set up a new concept of business judgment. They say, and I quote:

> It is not a question of inefficiency or efficiency of ways or prudence but simply a matter of practical business judgment.

This statement apparently excludes efficiency and prudence as being elements in practical business judgment. I have never yet met a businessman who was willing to throw away 33 cents. Most businessmen with whom I am acquainted are very prudent when it comes to counting the dollars that will be left over to them when they have reckoned both their income and their expenses.

However, I think there is a deeper implication to this allegation of waste. Anyone who makes this claim and subscribes to it is reflecting on the integrity and patriotism of the business community. I, for one, seriously doubt whether thoughtful members of the business community desire to convey the impression that such is the spirit in which they are willing to support the efforts of our Armed Forces and the sacrifices of the mass of the people being devoted to a cause in which business has so much at stake.

In considering this argument we should not be stampeded by comparisons which look only at part of the possible effects of different methods of taxing corporate profits. Wasteful use of resources may take many different forms. At a time when all of our industrial efficiency is needed we must look at this problem in the aggregate.

I think it can be said without contradiction that excessive profit-making opportunities which would draw resources from necessary production would be the most inexcusable waste of resources, yet such a development could result from uncontrolled profits. Thus a special tax on defense profits may be expected to prevent unessential expansion in some segments of the economy which would compete with disastrous consequences for the more essential requirements of our limited resources.

The special taxation of defense profits also avoids another form of waste which heavier general increases in the corporation income tax might produce. The exemption of normal profits provided by the credit under the excess-profits tax gives assurance that corporations having difficulty making adjustments under the defense program will not be unduly burdened. If their general tax load were increased, these concerns might be forced to make uneconomic and disorderly financial adjustments before they can find their appropriate place in the new scheme of things. More economy may be obtained in the use of resources by preserving existing business talents than following the expensive route of building up new talents.

In this whole subject we should not lose sight of the forest for the trees. The inflation problem is a broad one. It must

be attacked on all possible fronts. We must expect at some stage more direct controls on inflation. Even before that time, we want voluntary restraint on the part of labor and other groups. If we are to expect other groups to accept these controls we must at the same time be able to show them in all fairness that a comparable restraint has been placed upon corporate profits.

I want to interpose just a moment. Since my friend from New York is back, I recall earlier this year, during the consideration of the revenue bill of 1950, that he and I had quite an exchange on the floor. I argued at the time that corporate management could not pass on as a cost of doing business taxes paid to the Federal Government through normal and surtax. My friend from New York took the other position when we were suggesting an increase in normal and surtax in connection with the revenue bill of 1950 and said that when we did that all in the world we were doing was adding to the cost of the goods, thereby creating more inflation in the United States.

Everybody I have talked to in business, almost without exception, takes a different view from that which I took. They say that in conditions such as exist today the tax paid the Federal Government on income can be calculated as a cost of doing business, at least in part, and under some circumstances all of it. Thus, the price of the article manufactured or sold can be increased to take care of that cost.

I leave it to the fair judgment of all members of this committee on both sides as to which could be more easily passed on, a flat increase in the normal and surtax applied to corporations or an excess-profits tax levied against anything they may make in excess of their normal and surtax credit. Is there any question about which is more inflationary? Yet, my friend from New York and those who follow him on the Committee on Ways and Means have gone into great length in their effort to make us believe that an excess-profits tax is inflationary, and they offer as a substitute the very thing which, according to their statements earlier in the year, would be much more inflationary.

I know what he means. He means that, if you propose to tax business at the rate of 75 percent on that which it may make in addition to what it has made in the base period, business will not expand, we will not get the production we need from that business segment. Here again I disagree with the thought expressed in condemnation of my business friends. Does that mean they themselves are so unpatriotic that in an hour of need and great emergency, in time of war, they would back off and withhold those resources that we need in this era of mechanization until such time as the Congress or the people of the United States may permit them to make excessive and exorbitant profits on the sale of their products? I know of no business in World War II, and I challenge any Member of this House to point out one business, that failed to continue to operate and produce because of the excess-profits tax. The chairman of the committee, the gentleman from Tennessee [Mr. COOPER], and all those majority members of our committee who have spoken have pointed out in a very able manner that the bill before the House is not nearly so rigid or severe as the excess-profits tax of World War II.

Thus, does it not follow that under a less severe or rigid bill, needed production which we must have to supply the armed services of our country in this hour of our greatest trial will be available? There is more incentive today in the bill before the House for increased production in any line than there was in the World War II Excess Profits Tax Act.

I had intended to talk about growth, and the arguments made by the minority in the committee that our bill does not properly handle growth corporations. They point out some of the weaknesses of the growth formula. Let me hurriedly cover those.

They say there is a discrimination against diversified companies in our growth formula. May I ask this question of the gentlemen from Ohio [Mr. JENKINS]: Did I understand him on yesterday to make the statement, or was I incorrect in thinking he made the statement, that the Republican minority was taking credit for this growth formula in the bill?

Mr. JENKINS. I said that we were entitled to credit for it. I said we were entitled to credit for two or three other matters, and I also said I could cite five or six more things if I had the time.

Mr. MILLS. Then it would be proper for me to assume that the growth formula is very satisfactory? I am sure the minority would not offer an amendment if it was not satisfactory.

Mr. JENKINS. I would not go so far as to say that the formula was satisfactory. I would say that we encouraged it and also encouraged that differentiation be made with reference to these new and modern businesses that have grown up in the last year or two. Generally speaking I want to take credit now since you have asked me, and I want to say broadly to the whole world, that the bill as the majority wanted it is not to be compared to the bill as it now is. In other words, the bill now is 500 percent better than it was the way you other members of the committee would have had it.

Mr. MILLS. How does the gentleman know what I would have done? If the gentleman wants to create the impression that he had anything whatsoever to do with the growth formula which is in this bill, I want to serve notice right now I did not hear him say anything about it. Perhaps some other members of the minority did, but this is one provision which I thought we were all in agreement on. As I read the minority report you point out its weaknesses. Let us see if they are weaknesses.

Mr. MASON. Mr. Chairman, will the gentleman yield before he leaves that subject?

Mr. MILLS. I yield to the gentleman, and I assure him I am not going to leave the subject.

Mr. MASON. If any Member of the House will read the hearings which were held, he will find that 90 percent of the questions bringing out the differences and the inequities which we could expect from an excess-profits tax were asked and discussed by the minority members of the Committee on Ways and Means.

Mr. MILLS. Does the gentleman want them to do that before the members of the committee read the bill? The gentleman from New York [Mr. REED] suggested that none of us had read the bill. Do you want the membership of the House to read the hearings anyway?

Mr. MASON. I am not asking anyone to read them. I am just saying that the hearings justify the statement that the minority members did have the greatest part in bringing out the inequities and also in working out some kind of solution for them.

Mr. MILLS. The gentleman means that he joined with us in doing that? Is that what the gentleman means, that he joined with the majority members in that respect?

Mr. MASON. Of course we had to join with the majority members if we wanted to get anything in the bill.

Mr. MILLS. I just want the RECORD to show that, may I say to the gentleman from Illinois [Mr. MASON], because I know he is interested in keeping the record straight.

Let us look into this question of the growth formula.

3. INADEQUATE RELIEF FOR GROWTH COMPANIES

The minority report states that the relief for growth companies is inadequate.

The growth formula in H. R. 9827 is designed to assure true growth companies that their credit will be based at least on the average income in 1948 and 1949, or on 1949 income alone, whichever is higher. This can afford a substantial advantage over other companies. In addition to this very liberal treatment, growth companies will be able to add to their credit 12 percent of any new capital added after 1949 and one-third of the interest paid on capital borrowed after 1949. These provisions, in general, will assure growth companies an adequate rate of return before the excess-profits tax is applied.

The relief for growth is not limited to the provisions above. Contrary to the impression given in the minority report, new companies in the early stage of development at the end of the base period may obtain a credit above their 1949 level of earnings. Where one-third of its profits is attributable to a new product or services introduced in the base period, a corporation may obtain an alternative credit based on the industry rate of return in the base period.

The minority report cites the following situations to support its contentions:

(a) Discrimination against diversified companies: The report cites the example of a pharmaceutical company that introduces a new biotic, which does not account for more than one-third of total profits. It is implied that such companies should be given additional relief. Actually, introduction of new biotics in the chemical industry is normal and is

already allowed for in the computation of the base-period earnings credit. In the other industries mentioned—household appliance manufacturers and textiles—actual earnings experience in the base period was high for most companies. In any event, as to such corporations, the introduction of a new product which really represents an expansion of the business is likely to be reflected in the additional credit for new capital during and subsequent to the base period.

(b) It fails to recognize factors other than new products and services: The minority report states in this connection that manufacturers of standard parts whose business increases substantially as a result of new end products introduced by their customers should also be given relief. In other words, the minority contends that excess profits earned by any company because of new products produced by others should be given relief. For example, the minority would grant additional relief to a company which manufactured more spark plugs because a new tank is designed for the defense program.

(c) Discrimination against new and growing companies: The minority report states that no provision is made for a company which itself was new and operating in a new industry with a low rate of return. They cite television as an example. The minority argument ignores the fact that the industry classifications are broad. This has the advantage that new industries are given a rate of return based not only on their own industry but also on rates in well-established businesses in the same general classification.

(d) Administrative difficulties: The minority report states that the benefit of section 443 of the bill relating to new businesses or old businesses introducing new products may not be availed of by a taxpayer when filing his return but must be claimed in a separate application for relief. However, the minority states in parentheses that the exception to this rule is provided in section 430 (d). Section 430 (d) actually permits all companies granted relief under section 443 to defer 80 percent or more of the reduction in tax claimed because of the relief granted to new companies or new products. This 80-percent deferment corresponds with a deferment of only one-third of the tax for such companies during World War II.

The minority also states in this connection that the possibility of dispute with regard to the provisions of section 443 exists for a number of technical reasons. Actually, however, the concept of what constitutes a change in product or services was developed under the prior excess-profits-tax law, and experience thereunder was generally satisfactory. Thus, there is no reason to expect that the administration of section 443 will be fraught with unusual difficulties. The section will apply automatically in most cases and will therefore eliminate a great deal of administrative work which this type of situation formerly required.

(e) Credit is in inverse proportion to rate of growth: The minority state that the faster the rate of growth the earlier in the development period will be the determination of the credit. This statement appears to be made as a criticism of the provision relating to the growth formula and the relief applicable to new companies and new products. Actually, however, where the rate of growth is fast in the early part of the development of the business and then slackens off, the credit should be determined on the basis of the early experience. Consequently the provision in the bill conforms with the objectives of the committee in such cases. Under the present situation, with war-stimulated business, allowance for growth beyond the limits set by the committee would be likely to give an additional credit merely for defense-induced profits.

4. H. R. 9827 AND THE NATIONAL DEFENSE

Aircraft industry: The minority report states that vital information promised to the committee by the Treasury Department during the public hearings in regard to the aircraft industry was never furnished to the committee. The Treasury Department provided the committee with an analysis of the data for 15 of the largest aircraft manufacturers, which constitute most of the industry. In addition, at the request of one of the signatories of the minority report, a special table was prepared summarizing the information presented at the executive session. Throughout the executive session the staff of the Treasury Department was very helpful to the committee and worked night and day to provide them with the necessary information. In view of the record, it is unfair to make this accusation.

The minority report states that no special provisions were designed to cushion the injurious effects of the excess-profits tax on the aircraft industry. This statement is also incorrect. Many of the liberalized features of the proposed tax which are described in detail in the report on the bill were designed with the aircraft industry in mind. The following is a summary of the liberalized features of the bill which will be particularly helpful to the aircraft industry.

(a) The earnings credit would be computed on the basis of the three best years of the 1946–49 period and if other deficit years remain, such years will be counted as zero in the computation of base-period earnings. This provision was intended to be of assistance to such industries as aircraft where the majority of companies had more than one deficit in the base period.

(b) For purposes of computing the invested capital credit, companies will be allowed to add back the amount of net deficits incurred in the base period. This feature would be of particular importance to the aircraft companies in view of their deficit experience since 1945.

(c) In the case of new capital, including retained earnings, a rate of return of 12 percent would be allowed in computing base-period credit or invested-capital credit. In the case of borrowed capital, adjustment for credit would be one-third of the interest paid, not to exceed 3 percent of the amount borrowed. This provision will be of special importance to growing firms in the aircraft industry.

It is well to recall in this connection that much of the increased profits resulting directly from the defense program will accrue to the benefit of the aircraft industry. Adequate provision has already been made to protect this industry. Further liberalization of the provisions of the excess-profits tax for this industry might wipe out the excess-profits tax in an area where it is probably most justified.

5. STRATEGIC AND CRITICAL MATERIALS

It is the view of the minority that H. R. 9827 does not go far enough in extending special consideration to the mining industry insofar as strategic and critical minerals are concerned. Specifically, they suggest that section 451, relating to exemption of the increased output of mines, be broadened to grant additional tax relief to mining industries.

We are all aware of the need of securing adequate supplies of basic materials to meet the emergency demands of the economy. Our tax laws must be carefully drawn so that they do not discourage the utmost production of necessary materials. It is also important that special forms of tax relief intended to foster production be carefully designed to serve their purposes without creating serious revenue losses and inequities through broad and unjustifiable exemptions. To this end H. R. 9827 contains several specific relief provisions for the mineral industries which will remove tax deterrents to production and will foster output of strategic minerals.

The complete exemption of income derived from mining specified strategic minerals has been carried over from the World War II law and to the 14 minerals formerly exempt have been added by committee amendment 10 others, including uranium, which have been suggested for inclusion by the defense production authorities. The amendment also provides that the complete exemption be extended to any other minerals which are judged by the defense authorities to deserve such treatment.

Under the bill, as during World War II, income derived from the accelerated output of minerals is wholly or partially exempt from the excess-profits tax, to the extent this production is exhausting the taxpayers' known mineral reserves. For most minerals this exemption is graduated from 20 percent upward to 100 percent, according to the rapidity with which existing reserves are being depleted. In the case of coal and iron mines, timber properties and natural-gas properties, the exemption is one-half of the income from output in excess of base-period output.

The bill also contains the World War II provision exempting income derived from Government bonuses which were paid for output in excess of specified quotas. While no bonus program is in effect at present, the exemption will be available in the event production authorities should decide that such a program is needed.

These special measures are in addition to the generally liberal provisions of the bill and the minimum credit which exempts small mining corporations. Finally we should not forget the fact that mineral producers receive preferential

treatment through allowances of percentage depletion, which serve to reduce both excess-profits-tax and income-tax liabilities.

6. REGULATED PUBLIC UTILITIES

It is charged that the alternative credit permitted public utilities, equal to a stipulated return on their capital after income tax, will work extreme hardship on many companies because the invested-capital base may be less than that employed for rate-making purposes. It is true, of course, that the adjusted basis of assets for tax purposes may differ from their valuation used by regulatory authorities. It is equally true that the taxable income of utilities differs from that determined for rate-making purposes. It is necessary to look at both the valuation of assets and the determination of income. Income for Federal tax purposes may be substantially lower than for rate-making purposes because of higher allowances for depreciation.

While the committee agreed to provide a minimum return for public utilities before they were subject to excess-profits tax, this determination of taxability could not be left to the practices of the many regulatory authorities in the country. Allowances for working capital, valuation of property, depreciation, interest charge to construction, as well as the fair rate of return itself, all vary among the States. The necessity of being guided by these varying practices called for by the minority report would be a dangerous precedent to establish for Federal tax purposes. In fact, serious doubts have been raised about injecting into the excess-profits-tax law the principle of guaranteeing any corporation a minimum tax-free return on investment before being subject to income tax.

You can readily see how tax administration would be complicated if it were necessary to use one set of determinations for income-tax purposes and another for the excess-profits tax. One of the important improvements in the committee bill is the provision for integrating the income and excess-profits taxes so that administration would be simplified.

Mr. Chairman, I trust that the membership will accept this effort on the part of the majority members of the Ways and Means Committee, and those minority members who voted for the bill when it was reported, as a genuine and sincere effort to do that thing which you told us last September to do. We came back in November, immediately following the general election, when other Members did not have to come back until November 27. We worked hard on this job. We have worked sincerely trying to make it a better bill than the one we had after World War II, one against which less justified criticism could be raised. We think we have done that. We think that what we bring you today, if you still desire an excess-profits-tax law, as you indicated in September, is worthy of your acceptance as what you told us then you wanted us to bring to you.

I trust that, if there is a motion to recommit, the motion will be defeated, and that this bill will immediately be sent on to the other body, so that immediate work may be initiated over there, and that we may have a bill before the Christmas holidays that we can send to the President.

Mr. REED of New York. Mr. Chairman, I yield 30 minutes to the gentleman from Iowa [Mr. MARTIN].

Mr. MARTIN of Iowa. Mr. Chairman, when millions of young men must interrupt their careers and risk their lives in the cause of national defense, those who stay at home should be willing to serve the cause of national defense without being allowed to enrich themselves by the abnormal wartime price structure. Furthermore, the Government needs increased revenues to prosecute the war most effectively, and it is both necessary and fair to tax increased earnings attributable to the national emergency. On the other hand, it is highly important that the tax program of the Government not kill incentive to produce the essential materials and equipment at the very time they are most needed.

The provisions in H. R. 9827 for taking 3 out of 4 years of the base period to determine the base period credit is fair enough, but the provision in this bill to tax all earnings in excess of 85 percent of the base-period credit so determined is exceedingly unfair to those industries that experienced low earnings during the base period. In effect this provision places those corportions in a strait-jacket and threatens to kill incentive for their expansion. Unfortunately for America today, many industries that are vital to our successful prosecution of the war experienced low earnings during the base period and now face being placed in this strait-jacket at the very time we need them most.

Therefore, while I favor the imposition of a tax on excess corporate profits arising from the war economy, I cannot support any part of such a tax program that may kill incentive in those industries that determine the success of or failure of our war effort. I kept that qualification uppermost in my mind throughout the hearings and the executive sessions of the Committee on Ways and Means, because I have given most of my lifetime to the study of national defense. That is why I advocated special consideration for transportation, communications, and other utilities, and special consideration for aircraft production and the production of strategic and critical materials by our domestic mining industry.

In the hope that I can be helpful in securing a better understanding of the impact of this proposed legislation on some of the vital national defense industries, and especially in the hope that my discussion may be helpful to the Senate Committee on Finance in their consideration of amendments which cannot be presented to the House of Representatives under the closed rule that governs our proceedings on this bill, I will proceed to discuss my objections to the bill in the field of national defense.

While I commend the committee on the action they have taken in this legislation with respect to certain transportation and communication industries and to utilities generally, I am alarmed over their failure in this bill to extend proper and needed consideration to the airline industry and the aircraft production industry, and to the domestic mining industry.

The committee has extended some badly needed relief to the mining industry in the form of a committee amendment that will be presented to section 448 of the bill, H. R. 9827, now under consideration, but I am seriously disappointed in the refusal of the committee to adopt a more liberal treatment of the mining industry in section 451 of the bill. That section is identical to section 735 of the World War II excess-profits-tax law, and the mining industry presented a very effective appeal for liberalizing some provisions of that section based on their experience with this law during World War II. This section should be continued, but Congress can provide greater incentive to the mining industry by eliminating all reference to "estimated recoverable units," or any reductions or exclusions based on the ratio of current output to the estimated recoverable units remaining in the property. Such reductions or limitations are directly contrary to the principle that the normal profit per unit should not be subjected to a tax on excess profits.

Let us examine the position of the administration in regard to the mining industry.

On page 81 of the hearings you will find a colloquy between Secretary of the Treasury Snyder and myself, as follows:

Mr. MARTIN. Then there is another very important question. I have not seen in your statement any reference at all regarding the exemption to strategic and critical materials, particularly minerals. Do you have any provision in mind for that?

Secretary SNYDER. That is a part of our continuing study and we will try to have something ready for you during the course of your deliberations.

Mr. MARTIN. It is your idea that we should?

Secretary SNYDER. Some consideration should be given to it.

Mr. MARTIN. That we should include that in our study?

Secretary SNYDER. You are thinking in terms of stimulating production?

Mr. MARTIN. Absolutely.

Secretary SNYDER. Yes.

Mr. MARTIN. Domestic production?

Secretary SNYDER. I understand.

Throughout the balance of the hearings and during the executive sessions and study by the Committee on Ways and Means, I waited in vain for the submission of any proposals by the Secretary to stimulate domestic mine production through extending special consideration to them in this legislation. In fact, the committee approved the amendment to section 448 of the bill in the face of vigorous opposition by Treasury staff members who sat in committee meetings throughout the executive sessions.

Just today my attention has been called to the statement of Secretary Snyder before the Senate Committee on Finance yesterday in which he made the following statement:

Another provision of the bill, section 448, would greatly enlarge the area of preferential treatment in the mining industry. I am fully aware of the importance of securing

strategic minerals. However, it will require great care to formulate legislation in the interest of defense production without granting unjustified benefits or encouraging unproductive diversion of essential resources. When this matter receives your consideration, the staff will be prepared to place the pertinent facts before you.

The inaction of the Treasury staff in bringing to the Committee on Ways and Means any suggestions for amendment or improvement of the provisions of the World War II excess-profits-tax legislation together with their vigorous opposition to the amendment approved by the committee that will be introduced as a committee amendment led me to believe that Secretary Snyder's efforts before the Senate Committee on Finance will be entirely negative in spite of the failure of the World War II excess-profits-tax legislation to stimulate and encourage production of strategic and critical materials.

The number of mines producing gold, silver, copper, lead, and zinc in this country was reduced from 11,033 in 1935 to 2,308 in 1949. I do not have at hand the number of mines producing other minerals, but I know that a great many mines of all kinds have closed during the past 15 years. Furthermore, industrial stockpiles of strategic and critical materials are today at a dangerously low level. Any industrialist in America will attest that fact, and almost every Government official who has had jurisdiction in this field will do likewise. Still further, the Government's stockpile that should have reached 80 percent of the 5-year program established by Congress in 1946 stood on June 30 of this year at 38.4 percent. But probably the most vital reason for keeping all of our domestic underground mines in operation is to retain, and, if possible, increase, the present supply of mine labor. Experience during World War II proved that the supply of this labor cannot be increased after war has commenced. In fact, the reverse was true, and, due to the loss of mine labor as the war progressed, domestic copper production dropped 44 percent from 1942 to 1946, lead production dropped 32 percent, and zinc production dropped 25 percent during the same period. From the end of World War II until March of this year, three-fourths of all the strategic and critical materials purchased for the stockpile were purchased in foreign countries. I am sorry I do not have at this time figures for the last 9 months.

The President's request of December 1 for additional appropriations for the Department of Defense will bring the total for the United States military forces for the current fiscal year to $41,800,000,000 and for the Atomic Energy Commission an additional $1,050,000,000. In a program of this magnitude, the production of needed equipment will tax our meager supplies of strategic and critical materials to the utmost. The chairman of the Munitions Board last May told 300 business leaders in Pittsburgh that the Army, Navy, and Air Force would place orders for $41,000,000,000 of war materials in the first 6 months of an emergency, but placing the orders and getting production are two vastly different things. Those orders will stay in the category of orders only, unless we have the strategic and critical materials needed for actual production.

I have here available for your inspection 30 different official regulations and orders issued during the past 8 weeks by the National Production Authority that furnish us with strong proof of the extreme scarcity of materials needed in our preparedness program.

Clearly this is no time for the tax-writing committees and for Congress inadvertently to place the mining industry in the strait-jacket of World War II excess-profits-tax legislation when the record made in World War II shows that that legislation might delay and even defeat our entire national defense effort. Do we need to wait longer for Secretary Snyder to study the impact of the World War II excess profits tax legislation on the mining industry?

The effect which the bill would have on the airline industry is, in my opinion, another serious blow to an industry extremely vital to our national defense.

We all know the splendid role which the commercial airlines played in World War II, and the dependence which the military is placing on them in the event of another conflict. Prior to World War II, plans were carefully made for the utilization of the airlines in the case of a war. Not only were these plans carried out in full, but drastic additions were made when the critical needs for transport aircraft in that war became clear. In May of 1942 the Government requisitioned 168 aircraft which the airlines had on order, and took almost half of the aircraft then in operation. Approximately half of all of the airline executives, flight crews, and mechanics also entered military service.

The last war proved the value of air transport to the military. As a result, this Government has given almost constant attention since the end of World War II to the provision of air-transport capacity for military purposes, in the event of another similar emergency. In all of the studies a large portion of the commercial airline fleet has been regarded in effect as a part of the available military transport fleet.

I am informed that these studies have revealed that, notwithstanding the use of a portion of the commercial fleet, a serious deficiency in air-transport capacity is to be expected. It has been plain to the airlines that, in order to meet this national defense problem, they are required to develop their commercial business and the size of their fleets as rapidly as possible. They have made good progress in carrying out this responsibility, the fleet having increased since the end of World War II from about 350 twin-engine airplanes to over 1,000, almost half of which are four-engine transports. The airlines now have on order 164 aircraft, costing about $136,000,000. These aircraft will be put into service in the next 2 or 3 years.

The value of the airline fleet in times of emergency was again demonstrated last summer when it became necessary to provide fast transportation across the Pacific to Korea. The military requested, and promptly received, from the airlines 43 four-engine transports, with four crews for each airplane. This constituted about 10 percent of the airlines' four-engine fleet. While this operation did not drastically affect the maintenance of successful commercial service, a more extensive future operation of the same kind certainly would.

If you have listened to the radio in the last 30 minutes, you know that you may have need for some air transport in an awful hurry.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield.

Mr. REED of New York. Is it not a fact that a large part of the civilian planes have already been requisitioned for this emergency in Korea?

Mr. MARTIN of Iowa. Yes.

Mr. REED of New York. Yet this bill would work an injury to this very industry that we need.

Mr. MARTIN of Iowa. It is very hard on the airline industry.

By the Civil Aeronautics Act of 1938, the Congress created the Civil Aeronautics Board and made it the Federal agency responsible to see to it that the airline industry is economically sound, and developed as required to meet the present and future needs of the commerce of this country and of our national defense. The Board was directed by that act to take those needs into account in determining the mail compensation to be paid to the airlines. In the exercise of its expert judgment the Board has consistently held that a return of 10 percent on airline investment is essential to the maintenance of a sound industry.

The measure before us provides two bases upon which the taxpayer may determine the amount of excess profits tax he will pay. However, since the airline industry, according to the Treasury Department's own figures, suffered a loss during the years 1946 through 1949 it is unable to use the so-called average earnings method for determining its tax credit. The industry is compelled, therefore, to use the so-called invested capital credit. The bill before us would permit the industry a credit amounting to 5 percent of its investment after income taxes. Thus, the industry would be permitted to earn approximately 5 percent on its investment, and the remainder would be taxed at 75 percent as excessive earnings.

I have seen nothing in the record of the hearings on this bill, nor do I have any information from any source whatsoever, that the determination by the Civil Aeronautics Board of the earnings which the airlines should be permitted, is in error. As a matter of fact, I believe that the Board's determination is correct. That being the case, it is on the face of it, unwise, and even dangerous from the viewpoint of our defense effort, to cut substantially in half the amount of earnings which the Civil Aeronautics Board has determined that the industry must have in order to maintain its proper growth. If for no other reason than the effect of this bill on the airline industry, I believe that it should be reviewed and revised by the Congress in the interest

of national defense before it is finally enacted into law.

In this hour of greatest need for aircraft production you will find very little information regarding the impact of H. R. 9827 on the aircraft production industry in the hearings or in any other document available to Congress at this time and furnished by the Treasury. The Treasury staff did provide the Committee on Ways and Means with some information regarding the 15 aircraft manufacturers but that information was picked up within 10 minutes after it was placed before the committee because the Treasury staff did not want to reveal specific data regarding individual corporations. I therefore asked the Treasury officials to prepare a general statement by groups of corporations in this field showing the excess profits tax credit in a way that will be informative to Congress and yet not reveal information regarding specific aircraft manufacturers.

Why in Heaven's name the Treasury staff did not do that originally for our information and guidance I will never know.

The rate of return on net worth after taxes for all manufacturing was 12.8 percent in 1946, 15.6 percent in 1947, 16.1 percent in 1948, 11.7 percent in 1949, and 15.6 percent in the second quarter of 1950.

From the data furnished me by the Treasury officials it appears that if the excess profits tax credit for the 15 aircraft manufacturers is computed for the entire base period according to the base-period earnings method and invested capital method and the higher of the two is used the credit in terms of percent of net worth beyond which the aircraft manufacturers must pay so-called excess profits taxes stands at 4.7 percent for the lowest 5 aircraft manufacturers, 6.8 percent for the middle 5, and 10.7 percent for the highest 5 aircraft manufacturers. The over-all average credit as percent of net worth for the entire industry stands at 6.4 percent. This compares with the average of 15.3 percent for all manufacturing as indicated above.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield.

Mr. HINSHAW. The gentleman has made a very cogent statement. I think the Committee on Ways and Means and the House of Representatives should realize that right now, as the gentleman has said, and in the near future, the aviation industry will be called upon to expand its production from 5 to 25 times. That is a multiplication figure and not a percentage figure. Yet they are expected to take profits based on years when they were practically out of business.

Mr. MARTIN of Iowa. I thank the gentleman very much. I know the younger Members of the Congress will be interested in knowing that the gentleman from California, Congressman HINSHAW, has given more time and more service to this field which I am now discussing than any man I have known in the Congress during my entire service here.

Mr. HINSHAW. The gentleman is very kind, but I am hoping that we can point out to the committee and to the Government that they are going to expect these people to invest money in materials and wages to an extent far, far greater than their net worth, which means that they will have to go into the banks and to the Government to borrow a very great deal of money and they will be paid for their efforts at the same rates they were being paid during the years 1946 to 1949 when they were practically out of business.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield.

Mr. SIMPSON of Pennsylvania. Will the gentleman tell us what the aircraft industry must do in order to receive the money to be used as capital for the necessary expansion which must be made if we are to carry out our war effort as it should be carried out? Where will the money come from?

Mr. MARTIN of Iowa. If no provision is made, and no modification is made in the terms of this legislation the aircraft-manufacturing industry is up against a stone wall. I for one do not know where they can turn for enough funds to do the job asked of them. May I ask the gentleman if he has any suggestion to make?

Mr. SIMPSON of Pennsylvania. May I suggest that a final alternative for the aircraft industry is to appeal to the Government for funds and to borrow money from the Government and avoid the use of private capital which should take the risk and is eager to take the risk if it is a reasonable business risk, with prospects of a reasonable return.

In other words, the American way of carrying on our economy will be broken down and there will be substituted for our American economy Government investment in the industry upon which our defense depends.

Mr. MARTIN of Iowa. But even though that approach is finally resorted to, have we not delayed private industry in going ahead at this time and getting our aircraft which we need so seriously and so immediately?

Mr. SIMPSON of Pennsylvania. By our own deliberate act today in adopting this bill without some special provision, we are creating a situation whereby, by our own act, we are delaying the expansion of the aircraft industry.

Mr. MARTIN of Iowa. Exactly. That is my chief criticism of the hasty, ill-considered, poorly studied approach to this particular problem in the field of national defense.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield.

Mr. REED of New York. Yet the other side will take the floor and chide us because we wanted to bring in a bill in the interest of national defense.

Mr. MARTIN of Iowa. Exactly.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield further?

Mr. MARTIN of Iowa. I yield.

Mr. HINSHAW. I would like to point out, and I am sure the gentleman may in the course of his remarks do so, that nearly all of these defense contracts that are issued will very shortly be subject to an act that will be passed again by this Congress, known as the Contract Renegotiation Act.

Mr. MARTIN of Iowa. Yes.

Mr. HINSHAW. The Renegotiation Act attempts to compensate the manufacturers of defense materials in a reasonable and fair way. It has generally amounted to about 2 percent compensation for doing that job for the country. That is about the compensation that was awarded to the manufacturers of aircraft and engines during the last war. The renegotiated profits are even then subject to this tax, which means it does not make any difference whether you have renegotiation or not on those companies which are required to expand their production many times over. Let us take the case of the General Motors Corp. and the General Electric Corp., who are going to be and have been engaged in the manufacture of jet engines. The commercial profits have been so high in the last few years that it does not make any difference to them if they turn over to manufacturing jet engines, but if we expect Pratt-Whitney and Wright and some of the rest of them to go into the manufacture of jet engines, they will do it at a loss. This bill favors the big corporation and is detrimental to the small corporation that is required to expand for the national defense.

Mr. MARTIN of Iowa. I thank the gentleman. That is the point I tried to bring before the Ways and Means Committee during the time we had this particular phase of the legislation under consideration in executive session. I only wish I had had the gentleman at my elbow at that moment, because I know he could have helped tremendously in avoiding this completely crippling type of legislation being brought to the Congress as it is now.

Mr. HINSHAW. I wish I could have been with the gentleman.

Mr. MARTIN of Iowa. This bill, if enacted into law in its present form, will throw a wet blanket over the aircraft-production industry that will kill incentive to produce aircraft at the very time we need them most.

I condemn H. R. 9827 most emphatically because no provision is made to exempt the aircraft-production industry from the strait-jacket imposed by this legislation on industries that experienced low income during the base period.

The crisis confronting our Nation today calls for all-out aircraft production without delay.

Just 3 years ago both the Congress and the President were so alarmed over the plight of the aircraft industry following World War II that they undertook the most exhaustive study of the industry that we have ever known. The President appointed his Air Policy Commission and the Senate and the House by joint resolution established the Congressional Aviation Policy Board. Many Members of the present Congress served on this Board.

The reports of both of these bodies warned against tampering with the financial stability of one of the most important bulwarks of our national defense—the aircraft-manufacturing industry—and yet when we need it most this bill has disregarded the findings and

the warnings of these studies of just 3 years ago, and not only has failed to protect the aircraft industry but actually has discriminated against it simply to report out a bill within the prescribed timetable.

I am sure these effects are not realized by those who approved the majority report but if this bill is not amended to redress a great wrong, then we will have failed, in the very first test of the present crisis, to build up the industry on which we have relied in the past and must rely now in the defense of the Nation.

During the years 1946 to 1949 the aircraft manufacturing industry suffered huge losses, as a result of the costs of reconversion, coupled with the industry's desperate efforts to survive through turning to commercial work when military business radically declined at the end of the war.

According to testimony before the Ways and Means Committee, one important aircraft company had a loss in a single year, before taxes, of over $25,000,000. Another company had a loss in each of the 4 years 1946 to 1949 of over $50,000,000. Fifteen leading aircraft manufacturers had an annual average loss before taxes in these 4 years of $1,200,000.

The bill before this House is based on the assumption that 1946 to 1949 was a period of unusual prosperity. But the aircraft industry during this period was suffering a serious depression.

The aircraft industry appeared before the Ways and Means Committee to explain its problems and made various proposals which would give it some relief. None of these proposals was included in the pending bill.

It is unnecessary to labor the point further that a strong aircraft industry is vital to our survival. But to be strong, that industry must have adequate profits after taxes to finance research, necessary plant improvement and development.

The aircraft industry is already faced with problems of the greatest difficulty. The advent of the jet engine with its tremendous increase in power availability has revolutionized almost overnight the construction of modern military aircraft. Present-day fighters go 700 miles per hour compared to 450 miles per hour in World War II. They operate at altitudes up to 50,000 feet instead of the former 20,000 to 25,000 feet.

These advances have confronted the industry with terrific problems in research and design. New production techniques are constantly required. To maintain leadership, however, the industry must have funds derived from profits after taxes to carry on these activities. A number of the leading companies right now have programs for essential plant improvement involving many millions of dollars, but their ability to carry out these programs is prejudiced by this bill.

Mr. REED of New York. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Iowa. I yield.

Mr. REED of New York. I am sorry to interrupt the gentleman, for he is making a perfectly wonderful speech, but does the gentleman recall that Admiral Ramsey appeared before our committee and testified that Great Britain was far in advance of us in the development of the jet planes and speed planes?

Mr. MARTIN of Iowa. Yes.

Mr. REED of New York. That is correct, is it not?

Mr. MARTIN of Iowa. Yes; our supremacy in that field is a matter of some considerable question because of some of the policies this Government has imposed on the industry.

Mr. REED of New York. And this bill will make it still worse.

Mr. MARTIN of Iowa. Absolutely and seriously so.

The House bill gives no recognition to these facts nor to the postwar depression suffered by this industry. None of the relief requested by the aircraft industry was granted. The bill wholly ignores the aircraft industry which is so vital to our national defense.

Those who know and understand the problems involved in expanding the Air Force and Naval Aviation for war know that the controlling factor in the build-up of the Air Force and Naval Aviation is the supply of planes. Pilots could be trained, say the experts, faster than planes could be manufactured. That is why I placed so much emphasis upon the aircraft industry in my discussion with Secretary Snyder during the hearings.

Some of the vital information which was promised to the committee by the Secretary of the Treasury during the public hearings was never furnished. In the case of the aircraft production industry, for example, the colloquy between the Secretary of the Treasury and me was as follows:

Mr. MARTIN. I have a question or two here with reference to the national defense. I am particularly interested in a program that will avoid crippling essential defense industries. Do you have any suggestions for special relief in the case of the aircraft industry which suffered a loss in the period 1946–48?

Secretary SNYDER. That has been among our worst cases that we have had to consider and we think that special consideration must be given.

Mr. MARTIN. Have you any suggestions regarding that point? I have not found any in your statement.

Secretary SNYDER. We did not put that in here, because it is a matter that we will have to talk out with you as a special case.

Mr. MARTIN. It is very essential that we give that consideration, is it not?

Secretary SNYDER. There is no question about it. We are fully in accord with that.

But no special provisions designed to cushion the injurious effect of the Administration's proposals on this vital defense industry were ever proposed by the Treasury officials nor are any contained in H. R. 9827.

How long must we wait for Secretary Snyder and his staff to awaken to the possible disaster to America that lurks in the background of our exceedingly dangerous international situation that exists today?

The overzealous effort of the present national administration to apply iron-fisted and ill-fitted curbs on free enterprise regardless of the impact of those curbs on our national defense leads me to quote a paragraph from House Report 982, of the Seventy-seventh Congress, first session, submitted to Congress by a special investigating committee of he Committee on Military Affairs, July 21, 1941, as follows:

Emphasis over the past few years has been made on social reform rather than national security. As a nation we seem to have forgotten that without national security social reform might well prove meaningless.

Mr. CARROLL. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield to the gentleman from Colorado.

Mr. CARROLL. I am very much interested in the comments of the gentleman about free enterprise and also his comment on the aircraft industry. The Senate Committee on Small War Plants Corporations points out that up to June 1945 the Federal Government spent $3,474,000,000 for facilities for the production of aircraft engines and parts. The industry itself spent in that period of time $317,000,000, or less than 10 percent of the money that the Government put in.

Under this bill if the deficits that the gentleman mentioned exist, and I am sure they do, under the deficit provision in this bill they can be considered and put in as a part of invested capital; but, as the gentleman from California expressed it a little while ago, if we increase our production from two- to five-fold——

Mr. HINSHAW. Five to twenty-five.

Mr. CARROLL. Obviously there is going to be no equity capital to give us that production and they will do as they did before: They will get the money from the Government and when they get that money, of course it will be subject to renegotiation. But under the 5-year amortization plan they will end up as they did before with the plant facilities.

It seems to me in this critical period certainly we need this industry, certainly we need their know-how, certainly we ought to do everything we can to stimulate production. However, I sincerely believe there is not anything in the provisions of this bill that would keep this great industry from producing as the gentleman from California has indicated.

Mr. MARTIN of Iowa. Unfortunately there are. I described the strait-jacket as applied to this industry and I suggest the gentleman read and study my entire statement in the RECORD tomorrow.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield to the gentleman from California.

Mr. HINSHAW. Something like 1,575 war plants were built at Government expense during the last war. Of that number approximately 90 were sold at the end of the war. There still remain unsold and available to the Government some 1,485 such plants. Under this bill if an aircraft manufacturer is called upon to operate a Government plant, that is not his investment. That is a Government investment. He is not entitled under this bill to make earnings upon a Government investment.

Mr. CARROLL. May I suggest to the gentleman from California when he gets the loan from the Government that loan becomes a part of invested capital.

Mr. HINSHAW. Under this bill?

Mr. CARROLL. Under this bill; and moreover under the deficit provision he can include any loss as invested capital.

Mr. HINSHAW. I cannot find that in the bill. Certainly a Government-owned plant is not set up as a loan.

Mr. MARTIN of Iowa. Will the gentleman explain how much of an allowance is made because of borrowed capital?

Mr. CARROLL. Of course, we discussed that in committee and I took the same view that the gentleman from Iowa took. I felt borrowed capital should be given the same treatment as equity capital. The committee established a different formula for it. They thought that formula was more equitable. What the exact formula is, we know they pay interest plus one-third. But it certainly would redound to the benefit of the industries.

Mr. MARTIN of Iowa. I think the gentleman from California might have some observation along that line, as to whether that is an adequate margin.

Mr. HINSHAW. That is absolutely negligible and does not amount to anything.

Mr. MARTIN of Iowa. I agree with the gentleman from California.

Mr. HINSHAW. I believe that they get this money, when they borrow it from the Government for defense purposes, they get it at something like 1½ or 2 percent. In other words, you are going to permit them to earn perhaps ½ of 1 percent of that money. What they have is a great management liability. I suppose there are very few people here who actually live in districts which manufacture aircraft, but I happen to know that at the conclusion of the last war the cash remaining available to aircraft companies was only sufficient to pay wages for about 3 days, and if the contract cancellations had not been tapered off to some degree, the companies would have gone broke just trying to close down their plants. Now, that is just one of those things that has to have special treatment, as Secretary Snyder admitted in his testimony before the committee. If you do not give that industry special treatment you will not have an aircraft manufacturing industry, and an aircraft manufacturing industry is absolutely essential to the success of any war effort, because if you cannot produce planes there is no use training men to fly them. The production industry is the most critical part of air warfare.

Mr. MASON. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield to the gentleman from Illinois.

Mr. MASON. The crux of the whole matter it seems to me is this: In World War II we put a strait-jacket on the aircraft industry and we, by that strait-jacket, forced them to go to the Government for 90 percent of the amount of borrowed capital that they had to have to expand. Now, do we want to repeat that performance or do we want to leave off the strait-jacket and let them do it in the American way, get adequate capital from private enterprise rather than driving them to the Government for this borrowed capital as they have done in England?

Mr. MARTIN of Iowa. That is one of the very real issues before us in this bill.

Mr. HINSHAW. I would like to point out in addition to my remarks to the gentleman from Colorado that where a Government plant is turned over to an aircraft manufacturer it does not become subject to any profit whatsoever under this bill, because he has no ownership of it, no liability for it, only a temporary use at no rent and perhaps no upkeep whatever, so that a company can earn nothing on that whatsoever, but he must supply management and he must assume all liabilities for the purchase of materials and equipment and labor to operate those plants. Now, it is unfair for him to be asked to do 25 times as much business as he normally would do and expand his force of management to that extent and leave him nothing for the many risks he takes.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. The gentleman from California and the gentleman from Iowa are especially solicitous of the airplane industry.

Mr. HINSHAW. I am from a national defense standpoint.

Mr. EBERHARTER. The aircraft industry is not the only war baby. There are perhaps five or ten thousand other items that are just as necessary to fight a war as the products of an airplane industry. They are what are commonly called war babies, and private capital is not going to invest in these war babies when they know that the minute hostilities cease there will be no war orders. There will be cancellations, and we certainly cannot legislate generally for these war babies and let the profiteers make all these tremendous profits out of war. We cannot expect private industry to build a munitions plant. We cannot expect private industry to build a gun factory or a powder factory, no more than we can expect them to build an airplane factory, because it is subject to that immediate cancellation. That is the basic reason and that is the logical reason that the Government has to put its own money into those enterprises for the purpose of making those items that are simply used for war purposes.

Mr. MARTIN of Iowa. I will answer the gentleman from Pennsylvania that I agree with him that there are many other items of national defense that are going to suffer in their production under this strait-jacket.

Time alone keeps me from expanding beyond the airlines, the aircraft industry, and the strategic and critical materials field. Time alone has caused me to limit myself to these few fields I have discussed here today. I am forced to resort to a determination of degrees of essentiality in the discussion here. I think I have made enough points in this discussion so that any Member of Congress who reads them and studies them and ponders them well will agree with me that this is no place to make the hasty approach we have made on this legislation, and that this legislation should be carefully overhauled with particular emphasis on those wartime industries that will determine whether or not we survive as a Nation.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield to the gentleman from California.

Mr. HINSHAW. May I suggest to the gentleman from Pennsylvania that the renegotiation statutes which will be enacted can take care of any excess profits that may be left accidentally to any company engaged in the defense manufacturing business.

Mr. MARTIN of Iowa. That is my feeling in the matter. I have great reliance upon the renegotiation law, which I think Congress should enact without further delay. I had considerable experience with it during my service on the Committee on Military Affairs, and I know that that held down the flagrant cases that they would like to bring up here in a sort of hysterical appeal to grab so-called excess profits, all the while giving a sock in the solar plexis to the low-earnings industries that will be put out of existence right when we need them most.

Mr. CARROLL. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Iowa. I yield to the gentleman from Colorado.

Mr. CARROLL. With reference to the remarks of the gentleman from California on renegotiation, I understand there are clauses contained now in appropriation bills which would cover contracts with the air industry. They would not need special renegotiation legislation. But the considered opinion of those who have worked with it is that it is not sufficiently inclusive to take the profits out. On the other hand, it is true no sensible person would want to pass a law or any part of a law that would keep this industry from functioning in this time of peril. If we have gone too far with it, we will have ample opportunity in the other body to see whether or not we have gone too far.

Mr. MARTIN of Iowa. I thank the gentleman for that statement. That is exactly the premise upon which I base my entire debate. I told you at the outset I was in favor of an excess-profits tax law. I have engaged in this discussion here today primarily for the consideration of the Senate Committee on Finance. If I had no hope of their correcting and amending the bill to keep it from hampering our defense effort, I would not by any stretch of the imagination join in a movement that can and will by inadvertence put a wet blanket on these essential national defense industries.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Georgia [Mr. CAMP].

Mr. CAMP. Mr. Chairman, I have been interested in the discussion that has just preceded. I only wish the gentleman from Iowa had raised these points in the meetings of our committee.

When we left Washington in September, we left knowing that we had the

solemn instruction of this House to return here and pass an excess-profits-tax bill.

We had the instruction, which was passed by a majority vote of this body, to do that. Therefore, my friends, I am somewhat surprised at the attack which has been made on this measure and at the name calling, when we are faced with one of the most critical situations that the Government has ever faced and when every businessman in the country knows that we are going to have to pay and pay. In the Revenue Act of 1950 which we passed in September, we raised the personal-income taxes of our people as of October 1. The corporations generally in this country expect to pay additional taxes.

It is only fair and just that taxes of corporations should be raised now. Immediately after peace was declared in 1945 as an aid to business and in order to encourage our business interests to return to civilian pursuits as rapidly as possible, the old excess-profits-tax law was repealed. As a matter of fact business expects this tax to be levied, and in the hearings just completed by our committee, which hearings began 3 weeks ago tomorrow, every phase of American business life was represented. Every company and every line of business was represented. Not one single business said that we should not raise corporate taxes. Of course, they hemmed and hawed and they said they would like to see it done this way or that way, but not a single man who was asked the question directly but answered and said, "Yes; taxes of corporations should be raised."

Let us look at the corporate-income picture for the last 5 or 6 years. I have seen a statement, a list of 50 of the largest corporations in America. This compilation shows that during the period for 1946 to 1949, as compared with the period from 1936 to 1939, profits have been more than 2½ times as much according to the money invested in the business, some making as much as 20 times as much. This is one of the most interesting compilations I have ever read on the subject of taxation. At the top of this list stands General Motors Corp. Next is United States Steel Corp. And the next is du Pont Corp. The average earnings of General Motors for the 4 years from 1946 to 1949 is 2.8 times as much proportionately as they were 4 years prior to 1940. That is nearly 3 times as much. United States Steel is 3.73 times as much, or nearly 4 times.

Du Pont's was 2.64 times as much. Jones & Laughlin Steel earned 1,702 percent, or 17 times as much over these past 4 years as it did 4 years immediately before 1940. The International Paper Co. earned 1,468 percent, nearly 15 times as much. B. F. Goodrich Co. earned 1,048 percent, over 10 times as much.

When people get up here and cry about these corporations, about this hard tax, that it should not be passed, that it should be studied more, just remember that they themselves know they should be taxed. Not a man who appeared before us said they should not.

I received one of the most surprising letters I have ever received since I have been in Congress. I represent an industrial district. My district is largely textile, and that is not a line that earns very large profits, but their profits are steady. My district is surpassed by only one or two other districts in the United States in the number of spindles in it.

I want to read from a letter I received from the president of one of the biggest mills in my district. This is a quotation from this man's letter:

> I know that you have had numerous suggestions and opinions regarding taxes, so I feel at liberty to express my views in regard to excess-profits tax on corporations. I am now, and have always been, firmly of the opinion that as soon as possible we should take the profit out of war. Unless Congress passes an excess-profits tax on corporations, many of them will profit more than they ever have in the past, and not pay their proportionate part of the war cost. Any firm or organization that opposes an excess-profits tax, in my opinion, does so wholly from a selfish standpoint. I hope that you will not let anyone persuade you differently. In my humble opinion, the excess-profits tax should allow corporations to make the average profit they made during the years 1947, 1948, 1949, or be allowed either 6 or 8 percent on their capital investment. This would take care of practically every business in this country and all of them would be on an equal basis. I am fairly familiar with tax laws, and to me the long-term capital gains of 6 months and not having an excess-profits-tax law will allow hundreds of millions of dollars to go by untaxed.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. DOUGHTON. Judging by the speech we heard yesterday, and if we place reliance on that, we would believe that nobody but the CIO was in favor of an excess-profits-tax law.

Mr. CAMP. I quite agree with the gentleman. I am glad the gentleman mentioned that.

Mr. DOUGHTON. If the CIO or any other group or any other one individual wrote this tax bill now before the House, I do not know anything about it. This is a committee bill that was written after long and careful hearings and reasonable consideration. The testimony of our experts and the staff are responsible for this bill, and they are no more under the influence of the CIO than the gentleman from Georgia or the gentleman from New York [Mr. REED].

Mr. CAMP. Mr. Chairman, I appreciate your bringing that to my attention. I was going to say something about it. I was not only surprised, but in a way I was hurt by the remarks that were made. No bill was presented to this committee. No suggestion bill was brought before us by the Treasury, by the President, or by anyone; and I feel sure that if my friend from Iowa who just spoke about the airplane industry had brought those facts to the attention of the committee we might possibly have exempted the airplane industry from the bill. This bill was written in committee.

Mr. KEAN. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. KEAN. The gentleman from Iowa brought that before the committee day after day.

Mr. CAMP. He never made any motion about the airplane industry; he made it about strategic minerals, and I voted with him every time he mentioned it. This airplane industry business is new entirely to me.

Let me tell you something: We are going to have to raise all taxes. We came back here just to deal with an excess-profits-tax bill. We should already have passed a renegotiation act. That is going to be the first thing we do when we get back here in January; and then we ought to take the whole tax structure and, Mr. Chairman, we ought to tax everything who is not being taxed. With taxes as high as they are going to be, they should fall evenly and justly on everybody, high or low, corporate or whatnot. We are going to have to do something about these so-called charitable organizations that are not paying any tax yet are running businesses; we are going to have to do something about cooperatives. We have one cooperative within less than a hundred miles of Washington which calls itself a poultry cooperative, yet it operates a 10-cent store in the Capital City. Now, you know that is not right.

I have no tears to shed for American industry because it does not want your sympathy; it is plenty able to take care of itself. God bless it. I believe in the capitalistic system. I believe in everybody being allowed to pursue any business he wishes, and I want them to make money at it. I do not believe in inordinate taxation, but, bless your souls, the corporations of America are willing to pay this tax; they are willing to do it and they know they are supposed to do it.

Mr. LANHAM. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. LANHAM. When I was home recently the local representative of one of the biggest textile mills in the South told me in effect what this constituent of yours has written you, that the excess-profits tax was the way to get this money.

Mr. CAMP. Now, understand, this is not really and truly an excess profits bill solely. I thought that it ought to be based on 100 percent of the basic year and sat there and voted day after day to try to make it that way. This is a compromise. I went along with it because it provides 85 percent of that base and also because during the past 4 years profits have been so large that we cut the base on the average corporation.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. REED of New York. Will the gentleman vote for my motion to recommit to make the base 100 percent?

Mr. CAMP. No; I will not, because we have reached a compromise on it and I think this legislation should be passed; I think the time for dillying and dallying has gone. The idea of passing this great big armament bill on to future generations I think is folly. Every Member of Congress should seriously consider four or five things and one is cutting down civilian spending to the bone; another is making the tax rate fall on everyone equally, justly, and evenly, and then put a tax bill through that will bring in the

money to pay for it. That is the way to make America strong.

I was surprised at the charges that this was a CIO bill. I never saw any CIO representative. If the CIO had any suggestions to make they were mighty small. They never appeared before our committee except for a 15-minute speech.

There are no politics in taxing our people to pay for this war and its preparation. There should not be and there is not any politics in this measure.

The provisions of the bill have been explained by preceding speakers. It is a much fairer bill in every way than the last excess-profits-tax law was. If a company experiences any unusual hardship during the base period like a strike or a fire which destroys their plant, putting them out of business a year or two, there are two or three alternatives they may have. They can figure their tax on an industrial basis, an average of the industry all over the country, or they can go on a capital stock basis, an investment basis, taking their earnings depending on size.

If a new industry is started up and does not have an experience of 4 years, there is special treatment here for such cases.

This is a much better bill than the other one and there will be many, many less appeals to the Tax Court under the hardship provisions than there were under the other bills. This bill also contains a $25,000 minimum base. Any small corporation that earns that much or less does not have to be considered at all. This bill will apply strictly to corporate business and American business expects it. If they did not get this bill they would wink their eye and smile out of the other side of their mouth.

Mr. Chairman, this is not a perfect bill. No tax bill is perfect. But it is a good bill, it should be passed promptly. We should go home and come back prepared to pass a better, larger and finer tax program because we are going to need it.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman, we are engaged in a great war, the third world war since 1917, or three wars in 33 years. I have been telling this Congress and the people that this Korean matter would lead to a long world war and now there are few who doubt what I have been saying.

I did not vote for the United Nations; I did not vote for the Atlantic Pact because I was certain in my own mind that with any numbers of combinations, ideal on paper, when danger came, we would be alone. That has come to pass too. We have had token support from the United Nations, but when we have lost 20 men to 1 man lost by the other United Nations, we can see that we stand alone.

We left our shores in 1917 and 1918 to make the world safe for democracy, and when it was over democracy was safe nowhere on earth, except here. We fought World War No. II to bring the "four freedoms" to the people everywhere in the world—freedom from fear, freedom from want, freedom of speech, and the freedom of religion. We won the war but did we establish those freedoms everywhere? Is there no fear in the world? Is there no want in the world; Is there free speech and a free press throughout the nations of the earth? Is there the right on the part of people everywhere to worship as they choose?

We are strong at winning wars but we seem adept at losing the peace.

We are in this war to stop aggression everywhere and we counted on a band of United Nations to aid us in stopping these aggressions. Did we count correctly? How many nations of the 60 in the United Nations have come forward with their men to aid us in stopping aggression?

South Korea nestling up against Communist countries with over a billion population was ruthlessly invaded by the Communists. The United Nations very emphatically ordered resistance. We did our part to carry out the mandates of the United Nations, and went in to stop the aggression. Ideally it was the thing to do but practically it could not be done since we found ourselves fighting almost alone 7,000 miles from home up against a billion Communists. The worst spot in the world was picked to try out the theory of stopping aggression. We are now up against the hordes of China and the hordes of Russia as soon as needed.

Had we driven the North Koreans out of South Korea and stopped at the thirty-eighth parallel, we might have stopped this aggression for a time, but only for a time as Russia the master mind of communism never has had any other intention than to destroy capitalism everywhere as soon as she can get to it.

Russia has thwarted every attempt at world peace and has been able to do so by being a member of the UN.

TAXES

This direct matter before us is a tax bill. We are up against a long war regardless of how we got there. We cannot back up now. The die is cast. The people of the United States must realize that we cannot spend billions in the defense of democracy without having tax money to do it with, and I would be the last Member of this Congress to refuse to vote for a tax bill that has the possibility of raising more money. So far as I am personally concerned the Government can take the savings of my entire lifetime if it is necessary to preserve this democracy. The freedom we enjoy under our system is worth the price we shall have to pay to protect it.

While supporting this measure, without equivocation it seems to me that it is in order to point out what the final results of our efforts is likely to be and to ask a few questions that bother me, and I am sure bother the people of the United States.

First, can we alone police the world? Can we without any more help than we are now getting from the UN stop aggression in every part of the world? Since the United Nations have demonstrated that they have no power except to debate; since it can find no way to keep Russia out of the Councils, just what does this talkative United Nations expect to do? Are we to let a weak, impotent, organization like this formulate our foreign policy?

Is not the time here now when we shall have to decide for ourselves what is best for this democracy and is not the time here now when we should think of preserving our own democracy instead of racing around the world to police aggressors everywhere? If the UN showed any signs at all of defending themselves against the hordes of communism, we might fight it out until they decided to enter the conflict. But in my opinion this organization is impotent, powerless, and totally unaware of the fate that awaits them. Shall we gamble further or shall we decide to protect this democracy and save at least one Nation from the clutches of murderers, thieves, and hypocrites?

I would like to ask a few further questions: Why do we not give Japan her freedom and permit her to arm herself? Are we doing the right thing by holding Japan powerless while the hordes across the bay will crush Japan as their next move? Have we the moral right to hold a nation in bondage while her destruction is being planned in plain sight and view?

Have we the moral right to refuse the assistance of the Nationalist army of China which is more than willing to enter the contest?

Have we the moral right to not make an absolute peace with Germany and permit her to defend herself if she cares to do it?

We are in this thing and in it alone, and we should now formulate a policy of our own accord and leave the debating to the United Nations—at least go it alone until such time as these other nations come out of their trance.

I do not ask these questions to harass the administration or the President. I ask them to the end that all this tax money shall not be spent on useless enterprises and negotiations. I believe the President to be a great American and I believe he is doing all he knows how to do to protect this country, but the time has come when we cannot win this war by fighting among ourselves; the time has come when the Congress must stand up on its hind legs and advise with the President, not only on our foreign policy, but to forget that we are Republicans or Democrats, and fight ourselves out of the menace we are in, and have some control over what is to be done next. That is our duty and we should not shirk it.

Make this tax money available and insist that the questions I have asked here be answered and demonstrate to the world that when our country is in danger, that we arise as one and contribute our lives and our property to the protection of the greatest form of government on the earth.

Mr. REED of New York. Mr. Chairman, I yield 20 minutes to the gentleman from New Jersey [Mr. KEAN].

Mr. KEAN. Mr. Chairman, in July 1945 when moderation of the then existing excess-profits tax was being considered, in a speech opposing the amendment, I stated on the floor of this House:

It is my firm belief that there is no justification for anyone to make excess profits

out of war, anywhere, anytime, while men are bleeding and dying on the field of battle.

I have not changed my views.

But to frame legislation which will prevent war profiteering and not at the same time add fuel to the fires of inflation, which will not put a stop to productive development of new ideas, and which will not result in extreme inequities between corporations who happen to have for many reasons a very different record of earnings in what we determine is the base period, is an almost impossible task.

I have never favored an excess-profits tax in time of peace. I do not believe that in normal times, in a free economy, there is any such thing as excess profits, for it is only in the hope of making excessive profits that men are stimulated to take the necessary risks which have in the past, and will in the future, expand our industrial machine, develop new products; and thus increase the standard of living for all the American people.

We would never have had our great automobile industry, we would never have had our great chemical industry, we would never had had the development of plastics, or television, if those who took the risks of investment in these industries which have given such fine wages to so many millions of our citizens had had their earnings limited to any such figure as proposed in the present bill.

Today we do not know what we will be faced with, either in the immediate future or over the next few years. Perhaps we will know better before this session adjourns. Will it be an all-out war, or will it be merely a long drawn-out defense program continuing over the next 10 or 15 years? Whichever it is, we know that the American taxpayer will have to produce for the Treasury more billions than ever could have been dreamed of just a short time ago.

If it is to be immediate all-out war for a limited period, any tax—no matter how inequitable—can be made to work fairly well owing to the patriotism of our people. Even the World War II excess-profits tax with all its faults was accepted without too much complaint, while the war was on, even though all will acknowledge now that it added greatly to the inflationary pressure which during the conflict was held down by price controls but burst out of bounds the moment that they were lifted.

An excess-profits tax of the type in effect during World War II, if it is to work properly, must be accompanied by price and wage controls.

If in writing this bill we are envisioning merely a long period of heavy rearmament, I believe that a 75-percent rate is too high, for it will hinder the much needed expansion and development of new discoveries so necessary not only for the expansion of our war industries but for supplying the needs of our people and giving good jobs to our ever-increasing population.

As evidence of such a result, I want to quote from Bradley Dewey, United States Rubber Director in World War II, which appears on page 610 of the hearings. Mr. Dewey said:

> There is a new opportunity on which we have been researching for 4 years. It is ready now. It will take $1,000,000 to do it. Should I do it under these conditions? Most of the profit will go into taxes. Is it fair to my stockholders to risk money in a new venture for that? I do not think so.

Now I believe that in this critical time we should have an excess-profits tax as much for psychological reasons as for any other. But unless an all-out war develops, I believe that a tax of 67 percent rather than 75 percent would in the end result in more development of needed products, would ultimately bring more revenue and would be less inflationary—for I believe that if a businessman could be assured that he could at least keep one-third of any additional profits which he would make he would take the risk of developing a new product and would not be so inclined to the waste and extravagance which is inevitable—human nature being what it is—when it is true that such a large proportion of any additional costs are paid for by Uncle Sam.

Interesting testimony which appears on page 572 of the hearings was given by Leo Cherne, of the Research Institute of America, as the result of a questionnaire which he sent to businessmen. His replies show that—

> At a 70-percent tax rate, 64 percent of businesmen say that they would be more inclined to make business expenditures for salaries, advertising, etc., on the basis of tax consequences rather than business policy. At a 60-percent tax rate only 38 percent of the replies said that tax consequences would be their prime motive.

So this would confirm my conclusion that a figure of somewhere between 60 and 70 percent would be the most equitable and productive.

Of course, the first thing that we should have done was to take excessive profits out of Government contracts having to do with war by a strict renegotiation act. I do not understand why the Democratic majority puts the cart before the horse by first bringing up this bill.

The Secretary's suggestion of taking a base of 75 percent of the 1946–49 base as a normal earning period was entirely dishonest. This would have resulted in half of the revenue from the bill coming from normal profits rather than profits stemming from the war. If the committee had passed its gag rule against any witnesses discussing anything except an excess-profits tax before the Secretary of the Treasury appeared he should have been ruled out of order for his suggestion.

It seems to me that this recommendation was arrived at after he decided at what rate the tax should be set by going lower and lower on the base until he found a percentage which would bring the revenue which they desired.

The 85-percent base in this bill is naturally a little better. But why should we tax some billions of normal earnings under guise of taxing excess profits? Why not be honest about it, and if we are going to tax normal profits raise the surtax rate? An increase in the surtax rate by 5 percent as will be proposed in the recommittal motion by a member of the minority, with an honest 100-percent base, would increase the much-needed revenue of the Treasury by $500,000,000 more than the bill before us. In fact, if the income of corporations increases from nearly $40,000,000,000, as at present, to $48,000,000,000, as is predicted by most economists, the Republican proposal would yield approximately $6,400,000,000, or $1,800,000,000, more than the revenue estimated under the present bill.

If the recommittal motion is adopted, it would not delay passage of the bill more than a few minutes, for the committee would be instructed to report the bill back with these few changes forthwith, and the committee could do this while the other Members of the House waited.

Certainly in light of the President's request for $17,000,000,000 additional appropriations we must increase the revenue; the recommittal motion, if adopted, would do so.

The present bill is retroactive to July 1. I think that there is justification for making it retroactive to October 1 for the action taken by this House in late September put all businessmen on notice that there would be an excess-profits tax and that it would be retroactive. But I do not see the justification for retroactivity back to July for decisions by businessmen made at that time were not made with any thought that we were in a period in which the excess-profits tax was applicable.

The Secretary of the Treasury in his appearance before the Senate Finance Committee on yesterday criticized the action of the House in giving special treatment to certain companies which are regulated by public bodies. There is little justification for his criticism, for if the State commission do then get property these companies cannot make excess profits.

The public utility companies are limited in the rates which they are allowed to charge to what a local commission believes is a fair rate considering the amount of risks taken by the investors and a rate which will provide the new capital necessary for expansion. In New Jersey, in general, this rate is about 5½ percent. Rate bodies are always loath to increase the charge to the consumers even when a period of inflation greatly raises the costs to the company, so that few utilities are even earning the amount allowed by the local commission.

If we had not given special consideration to these concerns, under this bill the companies would have had two options: One to go under the average earnings formula and then reduce the base by 15 percent. These companies have not profited and will not profit from the war economy, and the result would have been that they would be paying excess-profits taxes on their normal earnings even though these were much lower than what the utility commission stated was a fair return.

I have figured out what the return would be for a typical large utility company under the other alternative—the average earnings basis. Take a company which had sixty millions of equity

capital and was borrowing forty millions at 3 percent. Under the invested capital formula the allowable return to this concern, before they were subject to excess profits, would be less than 4½ percent.

Now the utility boards say that these companies are entitled to earn 5½ percent and that this is necessary in order that they should secure the new capital for expansion. If we passed a bill, as was recommended by the administration, without any special consideration for regulated industries, it would be inevitable that the rates paid by consumers would have to be sharply increased. And of their increase $3 would be going to the Government and only $1 to the company.

The end result would be that the consumers—the users of gas, electricity, and water—would be paying the excess-profits tax. I do not think it is the intent of Congress thus to soak the little fellow.

Mr. Chairman, I am going to vote for the recommittal motion with the hope that this legislation will be immediately improved and sent over to the Senate this afternoon. But all legislation is a matter of compromise, and the time is rare indeed when we find a bill here in the exact form that any of us would have written it; so if the recommittal motion fails, I will support the bill as written on final passage.

Mr. DOUGHTON. Mr. Chairman, I yield 25 minutes to the gentleman from Louisiana [Mr. BOGGS].

Mr. BOGGS of Louisiana. Mr. Chairman, I doubt if there has ever been a time in the history of our great Nation when we faced a graver crisis or a more severe challenge to our country and its institutions. All that we do here now is more important, more significant, and more vital than at any time in the past history of our great Nation. The legislation which we are considering today and which we debated on yesterday is only one prong in the weapons which we are attempting to build to resist the most serious assault upon democratic institutions in history.

I approach my part of the discussion of this bill reluctantly, because in doing so I feel that I am called upon to answer some of the allegations made on this floor yesterday by my dear friend, the minority leader of our committee, the gentleman from New York [Mr. REED]. I had hoped, and I believe that the time will come certainly before the next Congress has ceased its work, that we could face the issues confronting our Nation without partisanship. We must so face the issues if we are to survive as a nation.

The gentleman from New York [Mr. REED] on yesterday challenged the work of the 15 Democratic members of the Ways and Means Committee, and I would say, by indirection at least, the motives of the four Republican members of that committee who, on the vote to determine whether or not the bill would be reported out, joined with the 15 Democrats and voted affirmatively to report this legislation.

The minority leader of our committee, the gentleman from New York [Mr. REED], after making the statement that the fiscal policies of the Government of the United States should be approached in a nonpartisan fashion, later said, and I quote from page 16084 of the RECORD of yesterday:

> Apparently the policies and principles so agreed upon were not to the liking of the administration. Apparently they were not to the liking of the CIO. Apparently they were not to the liking of the Democratic Party. Apparently they were not to the liking of a majority of the Democratic members of the Committee on Ways and Means—even though the adoption of these principles and policies was possible only by the combined vote of a few of the members of the Democratic Party and the Republican members of the Committee on Ways and Means. Out came the whip. The lashes were applied. Secret sessions were held. By a vote of a majority of the Democratic members of the Committee on Ways and Means, certain of the Democratic members of the Committee on Ways and Means were deprived of the privilege of voting according to their own judgment and the dictates of their own consciences. Caucus rules were called upon. Each of the Democratic members of the Committee on Ways and Means was bound by the majority vote of his own party. He forsook his constituents. He abandoned his duties, his privileges, his responsibilities.

Mr. Chairman, I submit—and I am genuinely fond of my friend from New York—that the language which I have just read and much of the language contained elsewhere in the discussion by the gentleman from New York is untrue, is libelous, and is a slander upon all the members of what I consider one of the great committees of this Congress.

Let us analyze some of the allegations: No. 1, the distinguished minority leader said that we wrote this bill according to the dictates of the CIO. Let us talk about that just a moment. During the testimony the only witness who appeared for the CIO was Mr. Stanley H. Ruttenberg, director of the department of education and research of the CIO. In reply to questioning by the gentleman from New York he said:

> I daresay that the Secretary of the Treasury did not follow many of the recommendations, Mr. Congressman, we suggested—
>
> Referring to the CIO—
>
> from $6,000,000,000 to $7,000,000,000 to come from an excess-profits tax. I think the Secretary suggested only $4,000,000,000.

That is No. 1. The witness of the CIO himself and the only CIO witness before this committee disagreed in toto with the recommendations of the Secretary of the Treasury.

Did the committee agree with the recommendations of the Secretary of the Treasury? Did the committee write the bill as Mr. Snyder had suggested?

Let me say this, however, that I believe Secretary Snyder is an able man; I know that he is an honest man, and I believe that the recommendations which he made were made upon the basis of the best information he had before him and in light of what he considered were the best interests of the United States of America. But even so, our committee which stands accused in this language of being a rubber stamp and disregarding the fiscal soundness of the United States of America, and we individual Members who have been accused of abandoning our duties, forsaking our constituents and responsibilities, what did we do? We worked out a formula which was not the Treasury Department's formula. We came up with a program which was not the Treasury Department's program. It was the program largely of all of the members of the Ways and Means Committee.

Let me give you an illustration. There was debated in the committee the base period, whether or not we should have a 100-percent base before we applied any excess-profits tax. For the benefit of you who have not followed this too closely, may I say, by way of illustration, that if the base period earnings were $10,000, then there would be no excess-profits tax until the net earnings exceeded $10,000. The Treasury recommended that 25 percent of that $10,000, to take a rough figure, should be subject to a 75-percent excess-profits rate. Some members of the Ways and Means Committee agreed with that. Others wanted it to be a straight 100 percent. We debated the matter back and forth and finally the members of the committee, without a party lash, believe me, and without heat or hysteria or haste, and with the best evidence available to us from one of the finest staffs on Capitol Hill, decided upon the 85-percent base-period rate.

My distinguished friend from New York says that we violated the mandate enacted by this Congress in September of the present year. Let me read that mandate to you:

> SEC. 701. (a) The House Committee on Ways and Means and the Senate Committee on Finance are hereby directed to report to the respective Houses of Congress a bill for raising revenue by the levying, collecting, and payment of corporate excess-profits taxes with retroactive effect to October 1 or July 1, 1950, said bill to originate—

And so on and so on. Can there be any doubt about what that mandate says? Does it say to raise personal income taxes? No; it does not. Why did it not say so? Because in the bill which we had up for consideration then we had raised the personal limits. Does it say to raise the normal or surtax on corporations? It does not. Why does it not? Because in the very bill in which this provision is contained there is a provision raising those levies on corporations.

So I submit to the fair-minded Members of this body that the members of the Ways and Means Committee had no alternative except to carry out in detail and to the best of our ability the mandate given to us by this Congress.

Was it a one-sided mandate? Not by a long shot. You will remember we had a conference report and we had a motion to submit the tax bill to conference. The previous question was voted down, and the vote on it was 106 to 226. Then we voted on the motion offered by the gentleman from Pennsylvania [Mr. EBERHARTER] which was substantially this language, and it carried 331 to 2.

Later, when the conference had met and had labored and done its work and came back with the Revenue Act of 1950, this body voted, with section 701 incorporated therein, 328 to 7 for the conference report. So, I submit, my friends, that if ever a committee was bound by

a mandate, the Committee on Ways and Means was bound. The language was definite, it was specific, and allowed no alternative.

But, let us pass on for a moment and discuss some of the other allegations. The allegation, for instance, that no one was given an opportunity to be heard. Well, I will say to you Members of the House that the members of the Committee on Ways and Means returned here 2 weeks before anybody else did, and we sat here in this very room and we listened to about 100 witnesses in 7 days. If I were to inject partisanship into this discussion I might contrast that to the paucity of the hearings held on House bill 1 in the Eightieth Congress when my brethren to the left decided to greatly weaken the fiscal structure of the United States of America; 2 days of hearings, 2 days of executive sessions for that legislative monstrosity. We had seven full days of hearings. We listened to 100 witnesses representing every segment of business in America. And then what did we do in executive session?

You ask anybody on the Committee on Ways and Means. I tell you you I have a chairman that works harder than anybody in Congress. He is younger than most anybody around here. The gentleman from North Carolina [Mr. DOUGHTON] was on the job 10 hours a day in the commitee room, worked nights and early in the morning in his own office, and most of the other members of the committee were there, too. Did we have the benefit of information or were we acting under the leash?

Well, on September 23 or thereabouts after the mandate came from this body and the other body, the chairman of our committee summoned the staff of the Committee on Ways and Means and the staff of the Joint Committee on Internal Revenue and instructed those staffs that beginning on November 15 they must be fully and adequately prepared for this bill. I can show you Members of this body a stack of material that high prepared diligently, representing night after night after night of work and study and effort, and, if anything, this body owes the staff of that committee and the joint committee a rising vote of thanks and gratitude for a magnificent job. There is not a single solitary principle enunciated in this bill that was not fully and adequately explained to every member of the committee.

In conclusion let me say this: I notice, among other things in the remarks of my friend from New York on page 16085, this statement:

> There is virtually no such thing today as venture capital. Most of the sources have dried up and disappeared. What capital remains does not dare venture and our officials seem to be surprised at the increase in bank credit.

And then in another paragraph he says that profits this year, 1950, mind you, have increased by at least $6,000,000,000 over 1949. He says further, in criticizing the base period, that one of the bad things about it is that the corporations, many of them, were involved upon tremendous experimental programs and development programs costing huge sums of money and producing no income during these 4 years, and above all that the industries were spending $100,000,000,000 in expansion.

In one breath he says there is no venture capital—in the next he says that one hundred billion was spent on expansion, when we had no venture capital.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. Is it not a fact that the best estimate we can get is that only about 70,000 of the 400,000 corporations in the country, or 17 percent, would under this bill pay any excess-profits tax at all?

Mr. BOGGS of Louisiana. That is my understanding.

Mr. DOUGHTON. Yet they say they defy any business to operate under this bill if it becomes the law. Those are the most prosperous corporations, and the average they would pay would be only $42,857. Only 17 percent of the corporations would be affected by this bill if it became law.

Mr. BOGGS of Louisiana. My distinguished chairman is eminently correct.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. BOGGS of Louisiana. I yield.

Mr. SIMPSON of Pennsylvania. I call the attention of the gentleman to the fact that the time when the $100,000,000,000 was spent by private industry on expansion, and so forth, was a time when we had no excess profits tax.

Mr. BOGGS of Louisiana. I thoroughly agree with the gentleman, but it was also a time when, by distinguished friend from New York said, we had no venture capital.

That brings me to a discussion of the so-called alternative, about which you have heard so much. What is that alternative and what would it do? What we have proposed here is a modest bill, which taxes 17 percent of the corporations, those earning excess profits, not normal profits, excess profits in war.

What do the minority propose? They say we have an alternative. What is the alternative? The alternative is to impose across the board without regard to where the profits may have come from an over-all corporate tax which, in my humble judgment, would put out of business countless thousands of the smaller corporations in America. That is the proposal. It is not a proposal of relief, it is is not a proposal to tax excess profits made possible as a result of inflated spending brought on by a national emergency, it is a proposal to establish across the board the highest corporate tax levied in history. If that be sound fiscal policy, then I say, thank God for the Democratic members of this committee.

Mr. DOUGHTON. If the gentleman will yield further, is it not a fact that under that procedure a number of corporations that are not now making a reasonable profit would be reached and have to pay an excess-profits tax?

Mr. BOGGS of Louisiana. There is no question about it. They would pay a greatly inflated corporate tax.

In conclusion, this bill is not a difficult bill. This bill does not have all of the complexities about which you have heard my friends talk, not anything of the kind. This bill is soundly worked out, it has been soundly considered. It seeks to give relief where relief is needed. It is based on the fundamental and sound principle that where the Government is spending billions of dollars to defend our people, where it is putting into the Army and the Navy and the Air Force thousands upon thousands of young men, where it is telling one segment of business that it must curtail its activities because of shortages of this or that product, where it is regimenting and controlling, and where conditions are anything but normal, then that Government should say to the people of the United States, "We will have universal sacrifice in this time of emergency."

Mr. COOPER. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. HOLIFIELD].

Mr. HOLIFIELD. Mr. Chairman, I wish to commend the members of the Ways and Means Committee for their hard work during the past few weeks and their promptness in reporting out the excess-profits-tax bill, H. R. 9827. Members of the committee have discharged well the mandate we gave them by writing into section 701 (a) of the Revenue Act of 1950 a provision that the committee should proceed to report out excess-profits-tax legislation during the present Congress.

The excess-profits-tax bill is emergency legislation. During World War II we found it necessary to enact tax legislation of this nature. Today, we are faced with another emergency, which carries with it the sinister threat of devastating war and which increases in intensity as each day goes by.

In mobilizing our strength for national defense, in preparing ourselves for this emergency, every group and every individual must be prepared to sacrifice. Every segment of the Nation must carry its share of the loan and those who can carry the most must expect to do just that.

It is a well-known fact, as the Secretary of the Treasury pointed out in his statement before the committee, that in the period of expanded business activity we now experience, gains have been most striking in corporate profits. During the 4 years that followed World War II, corporate profits rose above any previous level in history. During the years 1946–49, corporation profits averaged $29,000,000,000 before deduction of taxes. This was more than five times the 1936–39 average and it enabled corporations to pay dividends at record rates and still reinvest substantial earnings. The figures show that corporations' profits for 1950 will reach a new high of $37,000,000,000 before taxes, or $3,000,000,000 in excess of the peak year of 1948.

It is necessary to siphon off some of those heavy profits in order to help pay the cost of the defense program, to reduce inflationary pressures, and to eliminate war profiteering. A primary justification for the excess-profits tax is that no one should be allowed to profit unduly from the necessities of a Nation mobilizing for defense. I believe in profit-making, but not in profiteering. The excess-profits tax is designed to re-

capture a percentage of profits above a normal or average earning experienced over a specified period.

No tax is ideal, and all taxes impose inequities. The excess-profits tax bill which we consider today has taken account of hardship cases and special problems. In general the bill appears to be more liberal than the legislation in effect during World War II. The minimum credit allowance of $25,000 will relieve small corporations from the excess-profits tax and encourage their growth at a time when the bulk of defense contracts are being awarded to the giant industrial firms.

The committee estimates in its report that the present bill would affect about 70,000 corporations in the calendar year 1950 and perhaps 80,000 the following year. In other words, less than one-fourth of all corporations would be subject to excess-profits taxation. During the years 1940–45 the number of corporations paying excess-profits taxes was less than one-fourth of all corporation income-tax payers. But the relatively few corporations with excess profits accounted for a very large total of corporation incomes. Thus the corporations that get the most defense contracts and enjoy the greatest benefit from the defense boom are rightfully required to return a portion of their profits.

The committee estimates that the present bill will yield $3,000,000,000 from excess-profits tax on corporate profits at the level existing in the calendar year 1950 and about $4,600,000,000 with the level of corporate profits which may reasonably be expected in the calendar year 1951. In view of the record high profit rate, the heavy additional military expenditure requirements outlined by the President, the excess-profits tax bill strikes me as very moderate indeed.

In my opinion, we have been going about our task of legislating for defense too gingerly. The time has come to dispense with "business as usual." American soldiers fighting in Korea have been torn away from their normal civilian pursuits and from their homes and their families. There is no "business as usual" for the GI.

When we were debating the defense-production bill in August of this year I said to the Members that a piecemeal method of combating inflation would not suffice. What I said then is even truer today. Wholesale prices are going up; cost of living is going up; and the defense dollar buys less with each passing day. We are courting economic disaster unless we face up to the problems of inflation and institute a program of control across the board. Such a course has long been advocated by one of the wisest of our elder statesmen, Bernard Baruch. Not only is Mr. Baruch a wise statesman, but he has been one of our eminent financiers.

When the security of our Nation is threatened it is the duty of the strong to protect the weak. The strongest physically of our citizens, the young men, are called upon to risk their lives. Is it too much to insist that the financially strong among our citizens, whether it be individuals or corporations, shall risk their abnormal profits? My answer is, No. I shall vote for the taxing of excess wartime profits.

Mr. REED of New York. Mr. Chairman, I yield 20 minutes to the distinguished gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, we are legislating today on this tax bill in an environment that makes it extremely difficult for any of us to know exactly what should be done at this critical hour. If we knew today that tomorrow we were going to be in an all-out shooting war, this legislation would be most inadequate, and I think it would be a waste of time to consider it, because the requirements should certainly be much more drastic. If, however, the future is to be a long period of battle between the Communist economies and the economies of the free world, then another type of tax legislation, I believe, would be advisable.

At the time the Ways and Means Committee was considering this legislation I believe what it had in mind was a continuing long-run strain upon our economy and upon the need for governmental expenditures in the defense field and my remarks today are addressed to that kind of situation and the type of tax legislation I think is necessary to meet that situation.

No matter what the environment, the issue today is not whether additional revenue should be raised—certainly everybody must agree that it must be raised; nor is the issue on the amount that should be raised—I believe everybody here will agree that we must raise every possible cent we can in order to bring our revenues into balance with our expenditures. There is only one issue and all other arguments are extraneous to that one issue; that issue concerns itself with the method or the formula to be used in applying an additional tax on corporate income. That is all there is in the issue before the Congress. I do not think the honest Member of Congress would object to the taxing or even confiscating in wartime, and possibly even in peacetime, of excess profits. "Excess" is a bad word; it is like sin; we are all against it. But I think we would all want to be very certain they were excess profits that we were confiscating or taxing at a very high rate. Our principal difficulty and the difficulty that I had in trying to reach a conclusion on this legislation comes about from the impossibility of determining what is normal and what is excessive in the field of profits. I am reminded of the words of Secretary Vinson in 1945 when he said:

> The difficulty is that calling profits excessive does not make them excessive, and calling profits normal does not make them normal.

Mr. Chairman, here is the principal trouble we have had during this whole matter. We have heard speaker after speaker get up here and say that what we are doing is taxing excess profits. "We are taxing the profits out of war," they say. But again I would repeat, calling any profits, no matter what they may be, excessive cannot make them excessive or calling them normal cannot make them normal.

The proponents of this legislation say that 85 percent of the profits of businesses making profits in excess of $25,000 per year during 1946 to 1949 is normal, that 15 percent of every company's earnings in this period, however, is excessive. Let me refer to a chart presented to the committee by the Secretary of the Treasury wherein it shows the variation between industries in 1947 and the profits that they earned on net worth.

He showed at that time, for instance, that profits ranged from a 7-percent profit on the net worth of some corporations—principally communications—to a rate of return on net worth for the lumber industry of 35 percent, all of that, of course, before taxes—certainly an extreme variation. I questioned the Secretary during his appearance before the committee as to what information he had as to the variation within any one of these classifications. In other words, what was the variation by companies. He was unable to furnish the information. He said he would furnish the information but it would be quite a task and I therefore withdrew my request for the information. He did admit, however, that it varied from a minus factor, as far as an individual company is concerned in these groups, to a figure in excess of the average. Of course, there had to be some concerns making in excess of 35 percent or you would not get a 35-percent average. And the same way in communications, you must have had some making more and some making considerably less than 7 percent. In fact, we know it went from a subzero figure of return on net worth to an excess of the figure shown in the Secretary's chart.

What are we doing in this particular legislation? You are not legislating on averages. You are not saying, for instance, in the communications industry, 7 percent shall be normal or in the lumber industry that 35 percent shall be normal. What you are doing is legislating on the basis of what an individual company did in that particular period.

Now, we know that the rate of return of individual companies does not follow an exact pattern; that much depends on many factors, such as public acceptance of the product of a particular manufacturer at a particular time, the goodwill of the company as it happens to exist during this particular base period, and also population change itself exerts a very great influence; also, management factors are not fixed. By this bill you will take the profit of the individual business in a limited period of 4 years and say that 85 percent of that profit is normal and that any increase is excess profit which will carry a tax rate of 75 percent. That, to me, is one of the basic defects not only of this legislation but it is bound to be in any tax bill that taxes on the basis of a fixed history of a given concern over a limited period of time. I think the inequity that will result from such an assumption that 85 percent of the average business profits of a given taxpayer between 1946 and 1949 are normal and 15 percent are excessive is apparent on its surface.

Much has been said here that we want to tax everybody alike; that what we

want to do is to impose this tax on the basis of ability to pay. Let us see if that is really what we are doing in this legislation. Instead of being based on ability to pay, this tax will be assessed on the basis of a company's experience during 1946 to 1949. Who are the companies with favorable profits during that period? They are the established businesses, the mature businesses, businesses that have reached the maturity of their earning capacity, and so forth; they are the businesses that were able to convert readily from war production into a consumer line of production to meet the consumer demands that had been penned up during the war; they are the businesses that had the character of a monopoly so that there was not a competitive situation. Those were the people with the largest profit picture during 1946–49, and those are the companies and the corporations that will pay the least amount of taxes. Who is going to have the unfavorable profit picture during this base period and whose increased earnings are you going to tax at a rate of 75 percent? The young companies; the companies that have not had a chance to reach maturity; the growing companies; the companies who could not convert as readily from war production to a peacetime basis; yes, and those industries where there is the greatest competition. Those are the companies that are going to be at a disadvantage, and that is where you are going to place the major burden of this excess-profits tax presented to you today. I defy any Member of the majority to justify that kind of a tax on the basis of ability to pay, on the basis of fairness, and on the basis of equity. It is the weak and the young and the growing companies that are going to bear the burden and who are going to be prejudiced by this tax. Make no mistake about it.

I do not believe that that is the way this Congress wants to levy taxes. It is certainly not the way that I will legislate.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from New York.

Mr. REED of New York. We must not let this picture get out of our minds, because the other side is becoming very sensitive of any criticism of the bill or their solution of this problem. But the fact is that only three or possibly four witnesses during the hearing of 200 witnesses, including leading economists of this country, thought otherwise. Everyone else condemned this bill along the line that the gentleman now is addressing the House. It seems to me that the people who are going to produce the goods in this country for war ought to receive some consideration by any committee that wants to preserve its self-respect before the country.

Mr. BYRNES of Wisconsin. I concur in the gentleman's statement. I think it is most serious, particularly at this time, when we look forward to an American economy that must be able to provide the weapons and to produce the goods that are needed to fight this war; that will produce the things that are necessary to keep this country the strong country that it has been in the past and that we hope it will continue to be in order that we can win the battle against communism.

Mr. Chairman, in all fairness I must say this: This bill is a much better bill than the excess-profits-tax bill which was on the statute books during World War II. I think the committee has made progress in attempting to soften some of the hardships and some of the inequities. But, they cannot be removed. They can be softened but they cannot be removed from any legislation which is based upon an individual company's particular experience in a given base period, no matter how hard you try. You cannot do it in 145 pages as has been attempted here; you cannot do it in 1,000 pages.

I do, however, Mr. Chairman, want to compliment the committee on at least making some progress. However, I shall vote against the bill. I have two basic reasons for doing so.

One reason is that in my judgment it is discriminatory and unfair. It is not based on ability to pay. Those who were able to make the big earnings in 1946 to 1949 are the favored group, and those who made the small earnings in this period will now be penalized under it.

My second reason is that I think this legislation, viewed in the light of a future which is going to require the greatest producing enterprise, the greatest of research, and the greatest of development, will stifle such production and such research and development. Our urgent need is certainly for greater production, greater research, and greater development, and nothing, in my judgment, should stand in the way of accomplishing that objective. Yet I am most fearful that this legislation, by freezing an individual company to its 1946–49 average-earnings status, can have no other effect than to stifle any increase in production and discourage research and development.

Those, Mr. Chairman, are the basic reasons why I cannot support this bill.

I think the committee could very well have reported out a bill which would increase the revenue from corporations without the unfortunate consequences I fear will result from this legislation. I would, for instance, readily support a bill to produce this revenue by an increase in the normal and surtax rates on corporations.

Mr. PHILLIPS of California. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. PHILLIPS of California. This has been discussed before, but I think repetition will not hurt it. Just on the practical basis of the amount of money which could be raised by a bill of this kind with its discriminatory features as compared with a bill laid upon the broad basis of ability to pay, is there any assurance that this bill will raise the amount of money the majority side of the committee hopes it will raise, on the basis of historical experience?

Mr. BYRNES of Wisconsin. There seems to be some difference of opinion as to what the natural result of a tax bill of this kind is upon the growth of the economy, which, of course, is the principal factor in producing revenue. In my judgment, the fact that it will stifle production and stifle expansion will definitely have a tendency in the long run to produce less revenue than a much smaller rate with a much smaller impact upon the economy would have. I think it will probably produce the revenue anticipated for the next year or two, as stated in the majority report accompanying this bill. I think it will raise the three and a half or four billion dollars that is claimed for it. However, I think the long-run effect of the legislation can very well be to produce much less revenue than we could obtain from an across-the-board type of tax.

Mr. JOHNSON. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. JOHNSON. In my State there was a terrific growth in the population during the years mentioned, and fabulous fortunes were made in buying and selling lands and buildings. I do not see how they can possibly ever make any more than they did during those years.

Mr. BYRNES of Wisconsin. That is correct.

Mr. JOHNSON. And that group of people will not lose one single penny by virtue of this tax bill, will they?

Mr. BYRNES of Wisconsin. The gentleman is correct. So far as those people are concerned, for the most part they have a very favorable situation because of a favorable environment from 1946 to 1949. But think of those areas from which those people came, where they had a reduction during 1946–49 as far as their population situation is concerned, and then in the meantime in 1950–51 their population increases. Any increase in income as a result of the population shift now will react to their discredit and they will be penalized as far as their tax situation is concerned by reason of the shift.

Mr. JOHNSON. May I point out also that at the same time there was a larger influx of veterans into our State than into any other State of the Union. I know of half a dozen small companies which were organized by veterans. They struggled along and made very little incomes. There is a field where the points that you have brought out are clearly evident for anyone to see. All those people who fought the war and started businesses are being punished.

Mr. BYRNES of Wisconsin. That is correct.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. JENKINS. Mr. Chairman, I ask unanimous consent that our colleague, Dr. SMITH of Ohio, may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. SMITH of Ohio. Mr. Chairman, I shall vote against the excess-profits tax, because it is a tax which destroys incentive, and when incentive is gone our productive capacity will just as surely decline. Like all progressive taxation it is wrong because the burden does not merely fall upon those who pay the bill but eventually and inevitably upon production itself.

There is now left only one kind of tax that can be levied to meet existing conditions, namely, a straight across-the-board levy upon all incomes, according to the rule of proportionality and not according to the rule of progression.

The grave crisis in which the United States is now involved is going to be brought home to every one of its citizens. There is no way for any group to evade it.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. JAVITS].

Mr. JAVITS. Mr. Chairman, before we came back here on November 27 there was some talk about the fact that we would do very little at this session of the Congress, and some talk about the fact that there would be no excess-profits tax legislation passed at all. I think the committee members on both sides, both Republican and Democratic, have done well to bring in an excess-profits-tax bill, and in giving the time, attention, and effort necessary to bring it out now. That is essentially the theme of my remarks today.

The American people, it has been said here many times before, and will be said here many times again, will be called on for greater sacrifices than any they have known in their entire history, either in peace or war, if this totalitarian Communist menace to all man's freedom and opportunity which we are facing today is going to be overcome. And, in my judgment, it will take not less than 10 years to do it, particularly as we are determined to do it if humanly possible without world war III.

The American people, as I have seen them in my own community, and as I think as the other Members have seen them in their communities, during the past campaign, are perfectly willing to expend the effort which this will require and to make the sacrifices which it will take. But they insist on one thing, and we are beginning here today to honor the one thing which they insist on. They insist on equality of sacrifice. Never let us forget that. If the hardships are equally shared, the American people are capable of showing the world such fortitude in the bearing of hardships as the world has never seen. That goes for bombed England in 1941 as well as it goes for any other place where men and women have endured.

I am not one of those who is in a panic about current events, or feels that we are about to descend into an abyss because of our reverses and those of the United Nations in Asia. I believe the American people have the resources and the courage and the strength which is unmatched in the world and which the world has not yet begun to see the beginning of—to meet and overcome reverses. But they do insist on equality of sacrifice, and we are beginning that today, by this excess-profits-tax bill. We are beginning today to bring about that equality of sacrifice upon which the American people insist.

As we go along with this type of tax, which is a step in the pattern of World War II, it may have to be changed. We may have to increase further corporate taxes and if that is not enough, individual and other taxes as well. But this step which we are taking today in passing the excess-profits-tax bill, bearing out as it does this demand of the people that there be equality of sacrifice will show two things.

First, it will show the people that the Congress is on the right road. Second, it will show the world that we propose to meet the issue with determination. The American people are determined to go forward and do this job of winning decisively over communism; they are determined not to give up the leadership of the free world, but, on the contrary, to reassert that leadership more strongly tomorrow than even it is being asserted today, until final victory is achieved. We are beginning here the determined action to match on the home front the heroic sacrifices of our troops in the field.

The CHAIRMAN. The time of the gentleman from New York [Mr. JAVITS] has expired.

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, I remember very well that during the last war I was talking with the manager of a very large hotel in Washington, who informed me that under the tax schedules which were then in effect, his business amounted to that of being practically a tax-collecting agency, as practically all of the money that was taken in in so-called profits went back to the Government as taxes.

That reminds me of the fact that all of the so-called profits of a corporation come from the people either directly or indirectly. It comes in the form of prices of goods and services, or, if it is in connection with sales to the Government, in the form of Government checks drawn on the Public Treasury. Therefore, we can well consider that a corporation is a tax-collecting agency just as much as it is a producing agency, when the tax rates are exceedingly high.

A while ago, when the distinguished gentleman from Iowa [Mr. MARTIN] was discussing the defense aspects of this bill, and was joined by several other Members, some very good points were brought out. Since then I have been trying to figure out how we might be able to best consider those corporations that are producing things for the national defense establishment. As was well pointed out by the gentleman from Pennsylvania [Mr. SIMPSON], there are other companies than aviation manufacturing companies which are engaged exclusively, or almost exclusively, in the manufacturing of defense articles. We all remember that during World War II we had a renegotiation statute, a Contract Renegotiation Act. That Renegotiation Act definitely limited the profits that could be made by any contractor with the Federal Government. There are corporations which are not engaged exclusively in the manufacture of defense items. For example, the General Motors Corp. or the General Electric Corp. or any of those great corporations, like the du Pont Co., and so forth, who make other things than defense items. But it seems to me that under the contract-renegotiation statute, if that should be reenacted, those portions of income which arise from the national defense establishments that are subject to contract renegotiation should be considered as already having been taken care of in the way of taxes, and be subject to whatever normal tax may be in existence at that time. The rest of the business that is done by the corporation should be subject to whatever excess-profits tax the Congress thinks is desirable.

I say that because, as we very well know, the contract-renegotiation officers for the Army, the Navy, and the Air Force generally see to it that there is very little profit left out of a Government contract to be subject to taxes. I do not know whether that suggestion is valuable or not. I am no expert on taxation. We rely upon the distinguished members of this great Committee on Ways and Means, who are supposed to know as much as human beings can know about tax matters. The rest of us, of course, have our own specialties. But when you have a renegotiation statute, and that statute is properly exercised by the officers of the Government, then there is not very much left. If that part were considered separately from the other business of the corporation, it seems to me we would have gone a long way toward solving our difficulties.

I can think of corporations that are engaged in the manufacture of radar equipment, for example, and who do that work exclusively. They do not do anything else. There are companies in the aviation industry which have nothing but Government contracts; then there are other corporations engaged in work for the national defense establishment, let us say, in the aviation industry in which the aviation portion of their manufacturing is a very small proportion of their total business. We could not exempt such concerns from an excess-profits tax just because they happened to do a little aviation business.

I do not know whether these suggestions are any good or not, but I do make the suggestion that these companies that are engaged exclusively, or almost exclusively, in the manufacture of national-defense material, when, as, and if they become subject to the renegotiation statute, then a normal tax would be the proper thing.

Mr. MASON. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. I yield.

Mr. MASON. That proposal was brought before our committee but it was voted down; it was said that we were given a mandate for excess profits and not renegotiation; that that would have to wait until the next session.

Mr. HINSHAW. If that be the case, then I think that under this bill as it stands, and if there be no intention to make changes, then you are going to find very great difficulty if it is possible at all to get these people to risk their capital, whatever they may have, and their personnel, and so forth, in the undertaking exclusively for the national defense establishment; they simply cannot do it and exist under the present bill.

I have not been able to examine the bill which will be offered as a substitute on the motion to recommit. It may be that that bill will accomplish better things, but I hope and trust that in the future when this bill is being considered for amendment by the committee that they will take into consideration these facts that have been brought out here today on both sides of the aisle. It is not possible for these companies to exist under this bill.

Let me now speak for a minute about the bill as a whole. Let us take a great corporation like General Motors, du Pont, or any of the 50 that were mentioned by the distinguished gentleman from Georgia a little bit ago. Those companies are going to get off practically scot-free of any excess-profits tax under this bill. It is the great corporations that have done so well since the war that are going to escape excess-profits taxes under this bill, because many of them, if they take up Government contracts will actually have less profits than they have shown in the 1946–49 base period, and if they drop down to 85 percent of their average profit during 1946–49, then they are not subject to any excess-profits tax at all even though those earnings during those years may be two, five, six times, or as somebody pointed out, 17 times what they were in the years 1936–39. That makes a perfectly ridiculous situation, and it is one that I do not think you can justify to yourselves or to the public. You are favoring the corporation which has been able to make very large profits in the postwar years, and you are damaging to an extent that we cannot now figure, but damaging to a very great extent, in my humble opinion, those companies which have suffered reverses since the war. I do not think that is fair. What you want to do is to have business succeed, and I hear a lot of people talk about little business around this floor. If what you want to have is little business to succeed, then this bill is the wrong bill, because this bill does not favor the growth of little business; it favors the further growth of the biggest and most successful industries in the United States; that is exactly what it does, in my humble opinion. If anybody wants to controvert that, I wish he would take the floor right now and do so. Does anybody want to controvert what I have just said? I hear no controversy; no one arises to controvert what I have said.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. I yield.

Mr. MILLS. I want the RECORD to show that all of us on this side do not agree with the gentleman's statement that it is in favor of big business; it certainly is not.

Mr. HINSHAW. I said in favor of businesses that made very high base earnings.

Mr. MILLS. During the base period?

Mr. HINSHAW. During the base period.

Mr. MILLS. Does the gentleman mean that the bill itself favors big business?

Mr. HINSHAW. Yes, to that extent.

Mr. MILLS. It does not favor big business. It was the representatives of big business who came before the committee urging that we give them 100 percent of the base period as a credit.

Mr. HINSHAW. That is not what I mean.

Mr. MILLS. We have not done that in this bill.

Mr. HINSHAW. That is not what I mean. I do not care what the rate is. I am saying that the bill itself favors those corporations that made the greatest earnings during 1946 to 1949 in relation to their capital investment.

Mr. MILLS. That is necessary if an alternative credit based upon prior average earnings is to be allowed.

Mr. HINSHAW. Then what I said is correct?

Mr. MILLS. I would not agree with the gentleman's conclusions based on that fact.

Mr. HINSHAW. I cannot see anything different from what I have said and I have heard nothing that will controvert it.

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, personally I deeply regret that the great people of this country have been unable to hear this debate. As unfriendly as I am to television, this is one debate I would like to have had them see on television. I mean, I would like to have had our people be able to see it and hear the debate.

Mr. Chairman, it is not when I die, but for what purpose I die that counts with me. You may ask, Just what has that to do with a tax bill? Well just this:

For the third time within 33 years we are brought face to face with the problem of financing a war to be fought, at least for the time being, to spill our blood on foreign soil, and to help finance the cost with an excess-profits tax.

Casualties in Korea are running high. We have a great deficit of men. As Russia's war by proxy, by sabotage, by subversion, by revolution spreads, we shall find our manpower deficit will increase, and too, materials will be at a premium. If we can believe the letters and messages which have been sent from the Korean front, certainly many of those lads who have paid the supreme sacrifice did so without knowing for what purpose they died.

Now Mr. Chairman, the big big problem we face is manpower and material, governments can always finance wars.

Our administrators continually tell us that unless we do this, that, and the other thing, that peoples of other lands will not do what they should. These same administrators overlook the fact our people too, are human beings. Psychological laws govern here as in other lands. Our people have likes and dislikes, they are moved by or influenced by incentives. Under our form of government, our method of financing proprietor and corporate capital structures, our method of selecting, training, and handling industrial management; all the labor relations, efficiency of operation, and ultimate production are closely linked to and influenced by tax laws—the same as other peoples are influenced by local and world-wide conditions.

If Russia can precipitate a set of conditions which will destroy or greatly damage our productive system, our financial or capital system, and our profit and loss system, she will move far toward our defeat.

Mr. Chairman, we are not now running a big cash deficit—that may come later—but we have inflation now which is devastating. This because of the excessive demand on the part of the Federal and State governments for scarce men and material which so much of could now be left unused.

This practice of Federal and State governments should be eliminated for the duration. This tax bill as here presented should not be approved. Simply because in 1917 and in World War II excess profits tax laws were approved is in itself no justification for this law. Therefore, if given an opportunity I shall vote to recommit this bill. Let me say that no member of the Ways and Means Committee before the passage of the tax bill of 1950 heard me asking for an excess-profits tax and no Member of the House heard me clamoring for such. I did advocate higher personal-income taxes and how I was criticized by my opponents for that position.

If the House approves the bill, then let it go to the other body. When it comes back I shall then take a look at what is before us in the hope we will have a bill I can personally support.

Insofar as the mandate is concerned, I do not feel that if the judgment of this body is such at the present time that we should not do a certain thing, that a mandate which might have appeared in some previous act, is binding. We are here as representatives of our people with responsibilities on our shoulders, and we are at least subject to bringing our views into agreement with the difficulties which we face at the particular moment. Who had reason to assume before we recessed, based upon the official statements which were continually being made, that we would be in the predicament which we are in today? May I ask the members of the Committee on Ways and Means, in particular those who have talked on this particular subject, Who finances the large aggregations of capital in the form of buildings and machines and machine tools? Only the rich? Oh, no. It is the little man and woman in this country who are striving to get ahead, who live simply, and exercise thrift; who save their money and invest it in these great aggregations of capital. They are the ones you crucify when you stand up here and yell, "Down with the great corporations; let us hook them all we can." Where would you be today in this contest against Russia if you did not have these great industrial plants? Where would you be if you did not have men and women who have guts enough to save the money to pay for those buildings and machinery and machine tools?

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from North Carolina.

Mr. DOUGHTON. Who testified to that?

Mr. CRAWFORD. All I ask the chairman to do is to read the debate of the last 2 days.

Mr. DOUGHTON. Not from anybody I have heard. That is the first time I have heard it mentioned.

Mr. CRAWFORD. I will be glad to point it out to the chairman.

I know what I have to do to save a dollar to invest in buildings, machinery, and machine tools so that the man who does not save may have a job with which to feed his family. We have had too much of this stuff going on over this country to the effect that the man who does save and invest should be kicked in the pants and crucified because he did such a thing. That is not fair to the American system or the American way of life. That is exactly what Russia wants us to do, destroy our productive system, destroy our financial system, destroy the capital structures of proprietors and corporations so that they cannot produce, so that a man will have to go back to the field with a hoe on his shoulder, so that we will be rid of the mechanized equipment the laboring people of this country use.

I have no patience with them. I do not owe anything to anybody, and nobody can muzzle me into accepting that kind of approach and not condemning this tax bill, because we will protect this system of ours or we will be wiped off the face of the earth. I do not propose to stand up here and be controlled by any demagoguery that has to do with the destruction of our profit system and that would prevent the accumulation of goods our people need to fight with and to use.

We claim that communism spreads across the face of the earth because the people do not have goods to consume. If we are going to claim that, if we are going to ask our people to fight that Communist philosophy, let us speak a word on behalf of the man who is willing to live simply and exercise thrift and save money and invest it so that goods can be produced and so that we can get buildings and machine tools and machinery together. Let us see that that system is protected and pass tax laws to protect our people and keep this thing tied together like a bundle of sticks so that we will have some strength. I am one of those who believes that our enemy fears our capacity to produce more than he fears our military forces. I am against any man or law which would destroy our productive system or our method of financing our capital goods.

Mr. REED of New York. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Chairman—

The power to tax is the power to destroy,
The New Deal is on the destructive road,
begoy.

Mr. Chairman, I have voted for about 18 tax bills since I came to Congress. I voted for a majority of them because I thought they were necessary to raise funds in order to keep this country going, at a time when the administration we had in power was spending so much money that I realized we could not afford to wreck this country. I had no idea they would keep up spending and spending. However, during this last session of Congress, before the recess, I refused to vote for another tax bill until we got some economy in government, and I am not going to vote for this tax bill.

I think it is high time we as Members of Congress get a little common sense and start to economize in government rather than tax the people to the point where they are taxed to death and destroyed. I do not propose to do that. I think I am taking the wise and sensible course as a sound businessman and as a Member of Congress when I follow that procedure.

How in the world can you expect to tax and tax and tax and expect the people of this country to pay and pay and pay if you are going to ruin them? It just does not happen that way.

To be sensible, in your own home and in your own business when you find that you are spending more money than you are getting as income, what do you do?

When you start to economize in the operation of your home and in the operation of your business you do not keep on spending and spending and spending. You economize—and that is the thing that I want to drive home to the Congress today. We need economy in the operation of the Government. Nobody knows that better than the chairman of this committee. I feel sorry for him today because he is being driven by the administration which causes him to do things which he knows in his heart are wrong. He knows that this is wrong. I know it is wrong.

Consider the bill we have here today. When I listened to the statements that have been made on the floor of the House by some of the Members of Congress to the effect that this bill was written by people on the outside who sent the bill to the Committee on Ways and Means, I think that is a deplorable condition when we come up with a tax bill which we know is not the kind of tax bill which we ought to have. Why was not a stopping point or termination date put on the collection of these taxes? Why was this not limited to 1 year or 2 years or 3 years? Instead, it will go on and on. What you are going to do is to wreck this country. You are going to wreck the private enterprise system if you put this bill into effect. God save America, when you get into socialism. You are doing what Hitler did when he came into power in Germany. You started to put this country under the control of the administration in power, and you have been doing that for the last 15 years. Now you have us to the point where we will have a socialistic government or a military government. If you ever get to that point, God save America.

Mr. STEFAN. Mr. Chairman, will the gentleman yield?

Mr. RICH. I yield to the gentleman for a question.

Mr. STEFAN. Does the gentleman know how much money will be collected under this bill if it goes into effect?

Mr. RICH. No; I do not know how much money this bill will bring in, but I know that when you take practically all the money that a corporation makes, you will be putting that corporation in bankruptcy and you will be placing more corporations in bankruptcy than you are going to collect money over a period of 4 or 5 years.

Mr. STEFAN. I understand the amount to be collected as a result of this bill if it goes into effect in its present form, including all the other revenues of Government, during fiscal year 1951, will be approximately $47,000,000,000. I understand that the expenditures for the fiscal year 1951, including the hold-overs and permanent appropriations, such as the public debt, will amount to $61,307,000,000. Added to that will be the $18,000,000,000 recently requested. In other words, your expenditures will be around $80,000,000,000 and your receipts $47,000,000,000. Where are you going to get the other $33,000,000,000 deficit.

Mr. RICH. I do not know where you are going to get the money, unless you economize in Government spending. That is the point I want to emphasize here. We want a little economy in Government. We want a little sensible Government, and an administration that is going to stop this spending. Look at the Truman administration. In 4 or 5 years they have spent more than all of the other administrations up to World War II. Why, it is a crime and a shame. It is slow suicide. It is time we did something about it. God save America if you are going to put this tax bill through. You will have socialism take over where freedom and liberty reigned.

Mr. Chairman, the gentleman from Illinois [Mr. MASON] made this statement before the House yesterday:

Mr. Chairman, we have before us for debate and action a "pig in a poke" because not one Member of this House can possibly know what is in this bill. Anyone voting for it under those circumstances must close his eyes, hold his nose, and hope for the best when he votes.

Mr. Chairman, if this tax bill goes into effect with no termination date for the imposition of these taxes, it means the end of the free-enterprise system. It means socialism in America, and the destruction of our form of government. We need economy in government. Stop spending—little lending—and no giving. That should be the motto from this time forth.

Just let me give you a list of the taxes being forced upon the American people, and see if such taxes are not a destructive force oppressing our citizens and raising the high cost of living and causing us to bend our backs to support an incompetent Government. As for me I expect to vote to recommit this bill. I shall never vote for a bill of this kind, which will tax us into socialism. Just look at the taxes we are paying:

TAXES, 1950

Income taxes, estate taxes, gift taxes, corporation income tax, corporation excess-profits taxes.

Liquor taxes: Taxes on distilled spirits, domestic and imported; tax on fermented malt liquors; wine taxes; special

taxes in connection with liquor occupations; container stamp taxes.

Tobacco taxes: Tax on cigarettes; tax on tobacco, chewing and smoking; tax on cigars; tax on snuff; tax on cigarette papers and tubes.

Stamp taxes: Issues of securities, bond transfers, and deeds of conveyance; stock transfers; playing cards; silver bullion sales or transfers.

Manufacturers' excise taxes: Gasoline tax; lubricating oils tax; passenger automobiles and motorcycles tax; automobile trucks, busses, and trailers tax; parts and accessories for automobiles tax; tires and inner tubes tax; electric energy tax; electric, gas, and oil appliances tax; electric light bulbs tax; radio receiving sets, phonographs, phonograph records, and musical instruments tax; refrigerators, refrigerating apparatus, and air conditioners tax; business and store machines tax; photographic-apparatus tax; matches tax; sporting-goods tax; pistols and revolvers tax; luggage tax; jewelry and so forth tax; furs tax; toilet preparations tax; luggage, handbags, wallets, and so forth tax.

Miscellaneous excise taxes: Telephone, telegraph, radio, and cable facilities, leased wires, and so forth; local telephone service; transportation of oil by pipeline; transportation of persons; transportation of property; admissions; cabarets, roof gardens, and so forth; club dues and initiation fees; leases of safe-deposit boxes; coconut and other vegetable oils processed; oleomargarine and so forth; sugar tax; coin-operated amusement and gaming devices; bowling alleys and billiard and pool tables.

Employment taxes: Federal Insurance Contributions Act—social security; Federal Unemployment Tax Act; Railroad Retirement Tax Act; Railroad Unemployment Insurance Act.

Sales tax, death tax, gift tax, inheritance, property tax, occupation tax, bank tax, dog tax, documentary and transfer tax.

Taxes are wrecking United States economy.

Oh, save us from the destructive taxes.

Stop spending, little lending, and no giving and you will not have to tax, tax, tax.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Montana [Mr. D'EWART].

Mr. D'EWART. Mr. Chairman, for some years the mining of minerals and metals in the United States has been an exceedingly risky venture at best. Such is doubly true of those daring to open new mines or expand production.

One of the principal objectives of the Defense Production Act is to encourage the exploration, development, and mining of strategic and critical minerals and metals. Government participation in the form of financial assistance to private enterprise for exploration and development work, above-market prices to marginal operations, and liberal loans are necessary to expand the production of strategic and critical minerals and metals in the United States.

The scarcity of minerals and metals from domestic mines is the most limiting factor in our economy today—just as it will be throughout and following the emergency now upon us. Drastic cutbacks in the civilian consumption of copper, zinc, and aluminum already have been made. Not only is the scarcity of minerals and metals a limiting factor in our economy, but after two years or more of an all-out war emergency, the scarcity of these materials would limit and delay the war production program, and adversely affect the defense of the United States.

On the one hand we have our Government alarmed over the scarcity of minerals and metals from domestic mines and embarking on a program, inadequate as it may be, to increase exploration, development, and mining of domestic mineral deposits, and on the other hand we have our Government proposing a method of taxation which tends to inhibit the exploration, development, and mining of minerals and metals in the United States.

Section 448 of the proposed law, entitled "Corporations engaged in mining of strategic minerals" exempts corporations engaged in the mining of 14 listed minerals and metals from the proposed tax. Such provision is fine and sensible as far as it goes.

Platinum, tin, and tantalum are among the 14 minerals and metals listed for exemption, yet there are no known deposits of these 3 metals in the United States capable of economic exploitation, and it appears extremely unlikely that any such deposits of consequence will be discovered. The domestic production of platinum is derived as a byproduct of copper-smelting operations. Vermiculite, which is listed for exemption, has not been regarded as a strategic material in recent years, if ever. It is used primarily as a building material for insulation, acoustical plasters, and lightweight concrete.

Primary consideration currently is being given under the Defense Production Act to expand the production of a number of scarce minerals and metals not listed for exemption from the tax proposed by H. R. 9827. These scarce materials include copper, zinc, cobalt, molybdenum, asbestos, corundum, talc, and sulfur.

It appears wholly illogical, inconsistent, and detrimental to the needs of the economy and defense production program of the United States to exclude copper, lead, zinc, bauxite, and all other strategic, critical, and essential minerals and metals from the exemption provided under section 448 of the proposed law. The bill should be amended to incorporate such exemptions.

The CHAIRMAN. The time of the gentleman from Montana has expired.

Mr. REED of New York. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, just to clarify the situation after this very heated debate which, in some instances, has sunk to a lower level than we would like, at any rate I want to get this issue clear.

Yesterday the Secretary of the Treasury, testifying before another body, said that the proposal in the House bill fell one billion short of what the President had asked for to meet this emergency. We are meeting that challenge directly.

So I say to you that to more effectively take the profits out of war, to raise additional revenue, and to combat the rising cost of living, the Republicans will move that H. R. 9827 be recommitted to the Committee on Ways and Means, with instructions to report it back forthwith with two simple amendments, to provide—

(a) That the corporate surtax be raised by 5 percentage points; and

(b) That the average earnings credit be 100 percent instead of 85 percent.

The Republican motion should be adopted for the following reasons:

First. It will raise at least $500,000,000 more revenue than H. R. 9827.

At a $40,000,000,000 level of corporate profits, the Republican proposal will yield approximately $3,500,000,000, $500,000,000 more than the $3,000,000,000 estimated under H. R. 9827. At a $48,000,000,000 corporate profits level the Republican proposal will yield approximately $6,400,000,000—$1,800,000,000 more than the $4,600,000,000 estimated under H. R. 9827.

Second. It will substantially reduce the hardships and discriminations in H. R. 9827 and at the same time will spread the increased tax load more equitably.

I remind you when you go home tonight to listen to the radio. Go back to your people. Then your conscience will tell you whether or not in this ghastly Korean crisis you should increase this amount rather than whittle it down as you Democrats are proposing to do.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. SABATH].

EXCESS-PROFITS TAXATION

Mr. SABATH. Mr. Chairman, I want to congratulate the Ways and Means Committee on carrying out the mandate of this House as indicated in a record vote shortly before we took the fall recess. The bill, of course, does not go as far as I should like to have it go, but I have confidence that in the next session we are going to eliminate the loopholes and provide ways and means of taxing those who can best afford to pay additional taxes.

There was an almost universal appeal by the people of this country to reinstitute the excess-profits tax in connection with the greatly increased demands of our national defense program. Since that time our national defense has approached virtual all-out-war proportions. Our defense requirements have skyrocketed. Yes, unfortunately, the situation has become infinitely more critical in the week or 10 days since the Committee on Ways and Means commenced the preparation of the final bill now before us. Of course, the revenue to be raised by this measure will hardly touch the outlay that is necessary to meet our present crisis, and another bill greatly expanding the tax structure must be forthcoming within a matter of months or even weeks.

The usual hue and cry against excess-profits taxation is heard over and over again in the press, on the radio, before the Ways and Means Committee, and in the telegrams and letters that come from

big business to every Member of this body. These are old and worn-out cries to me. I well remember the howl big business put up in 1917, when World War I was thrust upon us, and the proposal to institute an excess-profits tax was debated in this body. The charge was made and repeated and repeated, that it would result in the total collapse of our American economic system, as reiterated by the gentleman from Pennsylvania [Mr. RICH] a few months ago, that it would destroy business—that it was confiscatory and discriminatory—that it threw the entire burden of paying for the war on one segment of our economy. The bill was passed. We collected great sums from those best able to pay. When the war was over, the tax was repealed and business went along as usual. There was not the slightest sign of any hardship generally. No one was hurt.

Again, when the Japs struck at Pearl Harbor and World War II was launched, the Congress enacted another excess-profits tax. Once more, big business put forth every ounce of its power to defeat the proposal, but it was enacted into law. Following the cessation of hostilities in 1945, business returned to its normal processes, the tax repealed through the great efforts of the gentlemen who always give ear to the $1,000,000 profiteers, and we witnessed one of the most remarkable reconversions from war to peace time operation the world has ever seen. Big business was not injured by the tax, but again tremendous sums were siphoned off from the huge war profits and converted toward the cost of the struggle we had successfully completed.

What is the situation today? For several years prior to our entrance into the defense of little Korea, the record shows profits of the large corporations greater than in all history. Here are some interesting figures on the profits of a dozen or so of the giant corporations for the years 1948 and 1949:

Profits and more profits

	1949	1948
General Motors	$502,414,000	$327,155,000
United States Steel	133,223,000	88,042,000
Chrysler	97,651,000	59,888,000
Bethlehem Steel	82,898,000	53,184,000
Du Pont	49,188,230	38,960,000
International Harvester	37,500,000	28,500,000
American Tobacco	34,009,000	29,038,000
Deere & Co	28,108,000	17,490,000
National Biscuit	23,779,000	20,799,000
General Foods	21,349,000	20,432,000
Anaconda Copper	20,828,000	13,606,000
National Dairy	16,537,000	13,325,000
Allis-Chalmers	13,494,000	9,870,000
Caterpillar Tractor	10,942,000	3,763,000

You will note that these profits were topped by General Motors' profit for 1949 of over $502,000,000, the greatest in all the history of this giant corporation. In fact, figures released by the National City Bank of New York just recently show that 1950 profits will exceed those of 1949 by over $10,000,000,000. These are not my figures; they come from the big banking interest which represents big business.

The expansion of Federal expenditures for defense as a result of the very serious international crisis confronting our Nation, makes it imperative that the tax load be properly and proportionately shared by corporations exacting these fantastic profits. With our national debt approaching $260,000,000,000, it is likewise imperative that present costs of defense be placed on a pay-as-you-go basis as fully as possible. Every segment of our economy will be required to bear its share of the burden. Individual incomes have already been required to contribute their share, effective last November 1. With profits as of July 1 having risen to the fantastic figure of $37,400,000,000—with the present total for 1950 estimated at over $42,000,000,000—it is imperative that a substantial excess-profits tax be levied effective July 1, 1950, to siphon off these huge profits which are contributing so greatly to the growing forces of inflation. Are we to squeeze out every available dollar from the pockets of the average workingman on the theory of controlling inflation and diverting dollars to the war cost, while permitting these giant corporations to wax richer by the hour and expanding the real dangers of inflation during these dark hours?

My only criticism of this bill now before us is that it does not go far enough. The bill should be amended to produce the full amount requested by President Truman weeks ago. His estimates, made weeks before the present tremendously critical situation was before us, were modest at that time. They are wholly inadequate today. There cannot be the slightest doubt that what we do here today will be but an extremely temporary and inadequate effort to cope with the grave problem now confronting us. We can ease the burden bearing down upon us by increasing the rates in this bill to at least those necessary to bring in the revenue the President asked for. There is less uncertainty today about Federal spending for defense than there was 2 or 3 months ago. The tempo of our preparations for defense are being doubled, trebled, quadrupled overnight. Taxes must inevitably follow. Let us not lag too far behind in providing the revenues necessary to meet this load. Let us not quibble over its effects on business 2, 3, 5, 10 years hence. All of these problems can and will be met, as they were after each of our two recent world cataclysms, with little or no effect upon our continued expansion and development.

This excess-profits tax, as with all taxes, is but a means of distributing the burdens, the doing without, which war and preparedness for war put on the economy. Big business has a right to express itself, to argue that the shift in the burden as proposed is confiscatory. Unfortunately, their stand has been inscribed on the record of the proceedings of Congress during two great wars, and has been found completely wanting.

Prior to World War II the charge was made that an excess-profits tax would seriously interfere with production and the expansion of production during the war period. What happened? During the war steel production expanded 10 percent, electric power more than 20 percent, and aluminum production by more than 500 percent. In considering this experience, it should be remembered that the financial strength of corporations to expand production capacity and production was far less during the war than it is now. Financial strength was low because corporations as a whole had experienced losses in the decade 1930–39. Production levels before the war were less than half those of the war period; profits after taxes during the four prewar years were no more in total than the profits after taxes of the one postwar year 1948.

Notwithstanding the excess-profits tax of the last war period, industry was able to reconvert and expand its production at the most fabulous rate in all history. Profits reached unheard-of peaks. The dire forebodings of disaster following the end of the war were dissipated in thin air. There is no sound, logical argument against an adequate excess-profits tax.

Business has come forward with a proposal to increase the corporation income tax. An increase in this tax would not divert sufficient of the productive capacity needed for the armaments program, and would encourage putting machinery, buildings, and materials into uses from which they would have to be diverted eventually, with resulting waste and loss. Smaller business which would be subjected to the increased rate would find it harder to expand out of reinvested earnings than if there were an excess-profits tax to which they were not subject. Both the desirability and possibility of expansion would be less.

An excess-profits tax curbs inflation and prevents the inequitable distribution of the burdens of armament programs. The World War II excess-profits tax brought in as much as $11,000,000,000 in 1 year; this bill is estimated to produce but $3,400,000,000. It will still leave large profits to the corporations—too large profits. Corporate profits after taxes would still be more than half again as large as during the war, and larger than in 1946.

The tax is anti-inflationary also because it reduces the incentive to raise prices to take advantage of market conditions. Cost cutting can occur. An excess-profits tax encourages greater efficiency and cost cutting. It encourages profit making by holding down costs. The carelessness that is inherent in big business in normal times, in taking the easy road of raising prices rather than by cutting costs to ensure huge profits, will disappear.

Another sound reason for a substantial excess-profits tax has been advanced by Secretary Snyder when he says:

> There is substantial variation in the increased profitability of small and large corporations. There are equally important variations among industries and among firms within identical industries. As happened during the last war, these variations will undoubtedly increase under the abnormal conditions ahead of us.

The excess-profits tax bears only on those corporations which obtain high profits out of a defense or war program. During World War II it was paid by only about one in five or six corporations having net income. One percent of all corporations paid about 69 percent of the tax. The tax is paid primarily by large corporations, by those best able to pay.

To increase the corporate income tax would only shift the burden to the average wage earner. One great industry that would be affected is the electric and gas utilities. Their profits are high, but are rather stable, being dependent upon rates controlled by State commissions, while the profits of industrial corporations are not so controlled and have shown increases as much as 53 percent in one quarter. Any increase in the corporate-tax structure in lieu of excess profits levied on public utilities and other public-service corporations, such as transportation, would immediately result in increased charges to the average home owner and workingman and his family, thus distorting the equitable distribution of the necessary tax load.

There has been an alarming tendency since World War II to depend more and more on taxes on consumers and less and less on taxes based on ability to pay. The tax increases proposed in this bill are not only not high enough but are not excessive in the light of the continued high level of corporate profits since 1945. Profits for the current year will be only slightly less than the $21,000,000,000 in profits after taxes by corporations in 1948, which was an all-time high.

Enactment of this proposed excess-profits tax now would give balance to the tax structure; it would constitute a necessary support to efforts to check inflationary tendencies; it will provide badly needed revenue; and it will constitute no excessive burden on corporate taxpayers, who at the current level of economic activity would continue to operate with very high earnings and at a high rate of return.

I sincerely trust that when the Committee on Ways and Means brings in the next tax bill, which is certain to follow this one, it will make specific provision for closing all of the loopholes that now exist in our tax structure; that it will include an adequate tax on insurance companies; that it will eliminate the depletion allowances granted to the oil and natural gas industries which are rolling in wealth now. It should provide for the proper taxation of the many family and so-called charitable trusts, as well as those educational trusts which compete with private business for profit but have successfully avoided their share of the tax burden. The millions of bondholders who have invested billions of savings in enterprise are entitled to protection against these tax-dodgers. We must safeguard the investment of these conscientious investors, most of whom are dependent upon the income from these investments for their very livelihood and well-being. No loopholes must be left open. All profit-makers must bear their share of the burdens ahead.

I am confident the membership of this House will measure up to its responsibility and enact this legislation overwhelmingly.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Colorado [Mr. CARROLL].

Mr. CARROLL. Mr. Chairman, as we conclude the debate on this important piece of legislation it appears that seldom is the House given an opportunity to pass tax legislation—at least in recent times—except under great duress. For example, on June 28—and I mention this to you for the purpose of showing how events shape taxation legislation—on June 28 we passed a billion-dollar excise-tax-reduction bill; that was 3 days after Korea. At that time some of us had much concern as to whether we were taking the proper course, but as that bill moved over into the Senate, what happened? The other body knocked out the tax reduction that we gave, and increased the income taxes of the people. The Senate took from the little people of this Nation almost $3,000,000,000 by increasing personal income taxes. At the same time the Senate increased corporation taxes, obtaining a billion and a half dollars in revenue from that source.

Let us take a look at the economy of the Nation at that time. In this year 1950, every quarter has shown an increase in the national income; every quarter has shown great increases in corporate profits.

When the members of the Ways and Means Committee came back on November 14, the newspapers, yes, and some of the leading economists and nearly all business came before us and said: "Do not put a tax upon excess war profits." What they tried to do was to sell us the same bill of goods as the minority is now trying to insert in the motion to recommit. They said, in substance, "Increase the corporate tax rate but do not take war profits away from us."

It is these people—and I refer to the National Association of Manufacturers and other special interest groups—who call the loudest for us to fight the menace of communism; yet these same groups, when they are confronted with a situation which threatens their war profits, are reluctant to practice what they preach. They are unwilling to make a personal sacrifice. I say to you that this is a time for equality of sacrifice. This is no time for any group to shirk its fair share of the load.

Do we consult the wives, the mothers and fathers, and the sweethearts of those who are being called upon to take up arms in defense of our democracy? They have no high-priced lawyers or experts to gain exemptions or find loopholes for them. We are so concerned with protecting corporations—what protection is being given to the families of these men? Already they are being caught in an economic trap, crushed between rising prices on the one hand and higher taxes on the other. I say to you, this cannot be a one-way street; the people cannot be expected to make all the sacrifices while the big corporations reap excessive war profits.

It is significant that all the economists and others who appeared representing the special groups said to us: "We must increase the taxes of the people."

I asked some of our own experts before I took the floor today how much more personal income taxes can be raised. Well, they said we can make certain increases. We can lower the present $600 exemption to $500. We can increase their taxes 3 percent or thereabouts. We can do away with exemptions for certain groups. Then, when we get through, we will have an additional $4,000,000,000. That is all the additional taxation that the people can bear.

I notice the gentleman from New York [Mr. JAVITS] put in the RECORD yesterday figures on the increase in the cost of living. May I say to my friends on the Democratic side as I prepare to leave this body: You had better pay some attention to what is happening to the economy of this Nation. Every week and every month prices are spiraling upward, and in addition money is being taken away from the people by an increase in taxation. In this grave period, this Nation is confronted not only by the war danger from aggression of the Soviet Union and the Chinese Reds, but the equally great danger of uncontrolled inflation.

Let me make this further point, and and I think it is relatively simple. We are going to get only a comparatively small amount of revenue out of this bill. In order to get a bill before you and to meet the mandate given this committee, we had to compromise and compromise and give and give, allowing great relief provisions in this bill. This is not the best bill that could have been brought before this body. The minority did not want to strengthen the bill. They wanted to weaken it further—make no mistake about that.

I wish to mention another very important point. This legislation does have an anti-inflationary aspect. The economists who came before us said: "If you are going to stop inflation, you will have to reach into the pockets of the people and take the money away from them." But, as I have pointed out, there is a definite limit to the amount of money which can be gained in that way.

In my area, in the small towns of my State, the people are complaining about price increases. In addition, they are complaining about the increase in the withholding tax that we recently imposed upon them. The wage earner, the white-collar worker, the aged, and others on fixed incomes—these people cannot stand another dose of inflation. I think it would be a very serious mistake for any Member of the Democratic group, and, yes, those thinking Members on the Republican side, to fail to vote for this measure.

Not long ago we appropriated $17,000,000,000 for the military. We did that in a period of increasing profits; we did that in a period of an expanding national income. Today we are asked to appropriate an additional $18,000,000,000. What is going to be the effect of that expenditure? You mark what I say to you. Within 3 or 4 months' time you will not only have to act on additional taxes, you will have to impose controls to protect the fixed-income groups of this country. As the gentleman from Louisiana [Mr. BOGGS] said, we are in one of the most critical periods of American history. Yet from the testimony of the witnesses who appeared before the Ways and Means Committee one would think there was no great emergency. All of those witnesses were

arguing that you must not interfere with payrolls, you must not interfere with war profits.

Now, in substance here is what we have done by this bill. We are going to cut into some corporation profits about 15 percent—a very, very mild provision. The Treasury recommended 25 percent. In order to bring the bill in at all, we had to compromise; so we agreed upon 15 percent. Instead of getting a $4,000,000,000 bill, you have a $3,000,000,000 bill. I certainly hope that no one here will pay any attention to this motion to recommit, which is a sham and a subterfuge on the part of those who did not want an excess-profits tax in the first place. In the next 3 or 4 months you are going to have to meet far more serious problems than the bill that is before you now, and you must have the courage and the will to act in the national interest. I wish to take this opportunity to thank our chairman the gentleman from Tennessee [Mr. COOPER] and other members of the Committee on Ways and Means for their fine work on this bill. They have listened to the mandate given the Committee on Ways and Means by this body. In addition, I wish to say that had it not been for the valiant fight of the gentleman from Pennsylvania [Mr. EBERHARTER], and others who supported him, there would have been no bill to tax the excessive war profits of the calendar year 1950.

Before I close, I want to say to the other body that it can write a better bill than we have written; it can write a tougher bill than we have written; it can write a more equitable bill than we have written; it can take more of the war profits away from those who are profiting so greatly from the present emergency. Let me tell you, every day they are getting contracts ranging up to $100,000,000 or $150,000,000. Somebody has to curb these war profits, and this legislation is a step in the right direction. I sincerely hope that every Democrat will stand back of the Committee on Ways and Means and the exceptional work it has done under the circumstances. I urge that you vote down the motion to recommit and vote for the passage of this bill.

Mr. COOPER. Mr. Chairman, we have no further requests for time.

Mr. REED of New York. We have no further requests, Mr. Chairman.

The CHAIRMAN. Under the rule, the bill is considered as read. Committee amendments are in order.

Mr. COOPER. Mr. Chairman, I have a series of seven committee amendments, and I ask unanimous consent that they be considered as read and printed in the RECORD, and considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

The committee amendments are as follows:

Committee amendment No. 1: On page 13, after line 2, insert the following:

"(M) Blocked foreign income: There shall be excluded income derived from sources within any foreign country to the extent that such income would, but for monetary, exchange, or other restrictions imposed by such foreign country, have been includible in the gross income of the taxpayer for any taxable year which preceded its first taxable year under this subchapter. The determination of the extent to which income so derived shall be considered to have been includible, but for such restrictions, in the gross income of the taxpayer for years which preceded its first taxable year under this subchapter shall be made under regulations prescribed by the Secretary. Where income derived from sources within any foreign country is includible (without regard to this sentence) in a taxable year succeeding the first taxable year under this subchapter, and but for monetary, exchange, or other restrictions imposed by such foreign country would have been includible in the gross income of the taxpayer for its first taxable year under this subchapter, such income, in case such first taxable year began before July 1, 1950, shall be considered (in the application of this subparagraph) as having been includible in gross income of a taxable year which preceded such first taxable year in an amount equal to that portion of such income as the number of days prior to July 1, 1950, in such first taxable year bears to the total number of days in such first taxable year. Deductions properly chargeable and allocable to income included under this subparagraph shall not be allowed."

Committee amendment No. 2: Page 72, line 5, strike out "average of the."

Committee amendment No. 3: Page 73, line 7, strike out "defined in section 437 (b)" and insert in lieu thereof the following: "computed under section 437 (b) without regard to the last sentence thereof."

Committee amendment No. 4: Page 73, line 17, insert after "telephone service," the following: "telegraph service."

Committee amendment No. 5: Page 73, line 20, strike out "(2)" and insert "(3)."

Page 74, after line 5, insert the following:

"(2) 6 percent in the case of a corporation engaged as a common carrier in the furnishing or sale of transportation by pipe line of oil or gas, if subject to the jurisdiction of the Interstate Commerce Commission or the Federal Power Commission."

Page 74, line 6, strike out "(2)" and insert "(3)."

Page 74, strike out lines 13 to 15, inclusive, and insert in lieu thereof the following:

"(d) For the purpose of this subchapter the term 'regulated public utility' means a corporation described in subsection (c) substantially all of whose excess profits net income for the taxable year is derived from sources described in subsection (c)."

Committee amendment No. 6: Page 75, strike out line 20 and all that follows through line 5 on page 76 and insert in lieu thereof the following:

"(a) Exemption from tax: In the case of any domestic corporation engaged in the mining of a strategic mineral or a critical mineral, the portion of the adjusted excess-profits net income attributable to such mining in the United States shall be exempt from the tax imposed by this subchapter. The tax on the remaining portion of such adjusted excess-profits net income shall be an amount which bears the same ratio to the tax computed without regard to this section as such remaining portion bears to the entire adjusted excess-profits net income.

"(b) Definitions: For the purposes of this section—

"(1) the term 'strategic mineral' means antimony, chromite, manganese, nickel, platinum (including the platinum group metals), quicksilver, sheet mica, tantalum, tin, tungsten, vanadium, fluorspar, flake graphite, vermiculite, long-fiber asbestos in the form of amosite, chrysotile or crocidolite, beryl, cobalt, columbite, corundum, diamonds, kyanite (if equivalent in grade to Indian kyanite), monazite, quartz crystals, and uranium, and any other mineral which the certifying agency has certified to the Secretary as being essential to the defense effort of the United States and as not having been normally produced in appreciable quantities within the United States.

"(2) the term 'critical mineral' means a mineral (other than a strategic mineral) (A) which the certifying agency has certified to the Secretary that additional production thereof within the United States is essential for the defense effort, and (B) which is mined from—

"(i) a mineral property which was developed and brought into production subsequent to June 25, 1950; or

"(ii) a mineral property which has been in production prior to June 25, 1950, but was not in production on such date; or

"(iii) a mineral property from which, during the period it was in production during 1946, 1947, 1948, and 1949, the aggregate gross income derived therefrom was less than the aggregate of the deductions (allowable under section 23 without regard to any net operating loss deduction) attributable to such property during such period of production.

"(3) the term 'certifying agency' means the department, official, corporation, or agency utilized or created to carry out the authority of the President under section 303 (a) of the Defense Production Act of 1950 to make provision for the encouragement of exploration, development, and mining of critical and strategic minerals and metals.

"(c) Certification during taxable year of taxpayer: In determining under subsection (a) the portion of the adjusted excess profits net income which is attributable to the mining of a mineral which is a strategic or critical mineral by reason of a certification made during the taxable year, such portion shall be an amount which bears the same ratio to the portion of the adjusted excess profits net income, determined without regard to this subsection, attributable to such mining during the entire taxable year as the number of days for which the taxpayer held the mineral property during the taxable year and after the date of the making of the certification bears to the number of days for which the taxpayer held the property during such taxable year.

"(d) Application of section to lessor: In the case of a mining property operated under a lease, income attributable to such property derived by a lessor corporation shall, for the purposes of this section, be considered to be income of a corporation engaged in mining."

Committee amendment No. 7: Page 94, strike out line 14 and all that follows down through line 2 on page 95.

Mr. COOPER. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD in brief explanation of the amendments.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. COOPER. Committee amendment No. 1: This amendment deals with the treatment for excess-profits-tax purposes of blocked foreign income. United States corporations engaged in foreign operations have been unable to return from many foreign countries a substantial part of the income earned in those countries because of monetary, exchange, or other restrictions imposed by the foreign countries. In many cases income so blocked is reported for tax purposes in the taxable year when the income is convertible into dollars, instead of in the taxable year in which the income was actually earned. This amendment provides that the excess-profits tax shall not apply to income which, but for monetary

restrictions imposed by a foreign country, would have been reportable for tax purposes for a period prior to the excess-profits-tax years.

Committee amendments Nos. 2 and 3: These are technical amendments to correct technical errors in the bill as reported.

Committee amendment No. 4: This amendment inserts a reference to telegraph service, to correct an inadvertent omission in the provisions of the bill dealing with regulated public utilities.

Committee amendment No. 5: This amendment inserts a reference to common carriers of oil and gas by pipe line, thereby extending to such carriers the provisions of the bill dealing with regulated public utilities.

Committee amendment No. 6: This amendment deals with the exemption from the excess-profits tax of income attributable to the mining of strategic and critical minerals. Under the World War II excess-profits-tax law, income derived from the mining of strategic minerals was exempt from the tax. The bill as reported contained the provisions of the old law. This amendment adds other minerals to the list of strategic minerals which your committee believes to be in the category of strategic minerals. The amendment extends the same treatment to minerals not specifically named in the bill upon certification by the Defense Minerals Administration as being strategic or critical minerals. In the case of critical minerals, however, the certification applies only in respect of mining from—

(i) a mineral property which was developed and brought into production subsequent to June 25, 1950; or

(ii) a mineral property which has been in production prior to June 25, 1950, but was not in production on such date; or

(iii) a mineral property from which, during the period it was in production during 1946, 1947, 1948, and 1949, the aggregate gross income derived therefrom was less than the aggregate of the deductions (allowable under section 23, without regard to any net operating loss deduction) attributable to such property during such period of production.

Committee amendment No. 7: This amendment corrects a technical mistake in drafting to conform the bill with the policy agreed upon in the committee.

Mr. REED of New York. Mr. Chairman, I rise in opposition to the amendments.

Mr. Chairman, I just want to call the attention of the House to this series of technical amendments. It just goes to show the House the lack of consideration given to this bill. The provisions in it were so inequitable, so unsound, so unjust that now we find the committee in the last minute trying to correct their failures in bringing out this bill so lacking in its essentials. If they wanted to perfect this bill at all, they would be in here not with seven amendments; they would be in here with 50 amendments or more. That is not the way to legislate. So you can see that while this may make some slight improvement, this is only just a little bit of the work which should have been done by the committee before it came into this House and asked this House to support this bill.

Mr. COOPER. Mr. Chairman, I ask for recognition.

Mr. Chairman, the fact is that each of these seven amendments were considered by the Committee on Ways and Means and adopted by the committee and turned over to the drafting service to draft the amendments. The amendments are presented here for the purpose of carrying out the action taken by the committee during the consideration of this bill.

Mr. Chairman, I ask for a vote on the amendments.

The CHAIRMAN. The question is on the amendments offered by the gentlemen from Tennessee.

The amendments were agreed to.

The CHAIRMAN. Are there further amendments?

Mr. COOPER. There are no further amendments, Mr. Chairman.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WALTER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 9827) to provide revenue by imposing a corporate excess-profits tax, and for other purposes, pursuant to House Resolution 872, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them in gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

Mr. REED of New York. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. REED of New York. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. REED of New York moves to recommit the bill H. R. 9827 to the Committee on Ways and Means with instructions to report it back forthwith with the following amendments:

"(1) Strike out the figure '85%' in sections 435 (a) (I) (A) and 435 (a) (2) of H. R. 9827, and insert in lieu thereof the figure '100%.'

"(2) That the following new section be added at the end of title II of the bill:

" 'SEC. 206. Increase of corporate surtax rate.

" 'Section 15 (b) of the Internal Revenue Code, relating to rates of corporate surtax, is hereby amended to read as follows:

" ' "(b) Imposition of tax:

" ' "(1) Taxable years beginning after June 30, 1950: In the case of taxable years beginning after June 30, 1950, there shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q) a surtax of 25 percent of the amount of the corporation surtax net income in excess of $25,000.

" ' "(2) Calendar year 1950: In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, there shall be levied, collected, and paid for such taxable year upon the corporation surtax net income of every corporation (except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q) a surtax of 21½ percent of the amount of the corporation surtax net income in excess of $25,000.

" ' "(3) Other taxable years beginning before July 1, 1950: In the case of taxable years (other than the calendar year 1950, to which paragraph (2) applies) beginning before July 1, 1950, there shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a Western Hemisphere trade corporation as defined in section 109, and except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q) a surtax as follows:

" ' "(A) Surtax net incomes not over $25,000: Upon corporation surtax net incomes not over $25,000, 6 percent of the amount thereof.

" ' "(B) Surtax net incomes over $25,000 but not over $50,000: Upon corporation surtax net incomes over $25,000, but not over $50,000, $1,500 plus 22 percent of the amount of the corporation surtax net income over $25,000.

" ' "(C) Surtax net incomes over $50,000: Upon corporation surtax net incomes over $50,000, 14 percent of the corporation surtax net income.

For computation of tax in case the taxable year ends after June 30, 1950, see section 108 (f)." ' "

Mr. REED of New York (interrupting the reading of the motion to recommit). Mr. Speaker, in order to save the time of the House at this late hour, may I say that I have explained to the House the purpose of this motion to recommit and I think everybody understands it. Therefore, I ask unanimous consent that the further reading of the motion to recommit be dispensed with.

Mr. EBERHARTER. Reserving the right to object, Mr. Speaker, I want to know if the motion has been technically drawn.

Mr. REED of New York. Yes, it is technically drawn, more so than your bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. COOPER. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. REED of New York. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 145, nays 252, answered "present" 1, not voting 31, as follows:

[Roll No. 290]

YEAS—145

Allen, Calif.	Bennett, Mich.	Chiperfield
Allen, Ill.	Bishop	Clevenger
Anderson, Calif.	Blackney	Cole, Kans.
Andresen, August H.	Boggs, Del.	Cole, N. Y.
Angell	Bolton, Ohio	Corbett
Arends	Bramblett	Cotton
Auchincloss	Brehm	Coudert
Barrett, Wyo.	Brown, Ohio	Crawford
Bates, Mass.	Byrnes, Wis.	Cunningham
Beall	Case, N. J.	Curtis
	Case, S. Dak.	Dague

Davis, Wis.
D'Ewart
Dolliver
Dondero
Ellsworth
Elston
Engel, Mich.
Fellows
Fenton
Ford
Fulton
Gamble
George
Golden
Goodwin
Graham
Guill
Gwinn
Hale
Hall,
Leonard W.
Halleck
Hand
Harden
Harvey
Heselton
Hill
Hinshaw
Hoeven
Hoffman, Ill.
Holmes
Hope
Horan
Jackson, Calif.
James
Jenison
Jenkins
Jensen
Johnson
Jonas
Judd
Kean
Keating
Kennedy
Kilburn
Kunkel
Latham
LeCompte
LeFevre
Lodge
Lovre
McConnell
McCulloch
McDonough
McGregor
Mack, Wash.
Macy
Martin, Iowa
Martin, Mass.
Mason
Merrow
Michener
Miller, Md.
Miller, Nebr.
Morton
Nelson
Nicholson
Norblad
O'Hara, Minn.
Patterson
Pfeiffer,
William L.
Phillips, Calif.
Plumley
Potter
Poulson
Reed, Ill.
Reed, N. Y.
Rees
Rich
Riehlman
Rogers, Mass.
Sadlak
St. George
Sanborn
Saylor
Scott, Hardie
Scott,
Hugh D., Jr.
Scrivner
Scudder
Shafer
Short
Simpson, Ill.
Simpson, Pa.
Smith, Kans.
Smith, Wis.
Stefan
Stockman
Taber
Talle
Taylor
Tollefson
Towe
Velde
Vorys
Vursell
Wadsworth
Weichel
Werdel
Widnall
Wigglesworth
Wilson, Ind.
Wolcott
Wolverton
Woodruff

NAYS—252

Abbitt
Abernethy
Addonizio
Albert
Allen, La.
Andersen,
H. Carl
Andrews
Aspinall
Bailey
Barden
Baring
Barrett, Pa.
Battle
Beckworth
Bennett, Fla.
Bentsen
Biemiller
Blatnik
Boggs, La.
Bolling
Bolton, Md.
Bosone
Boykin
Breen
Brooks
Brown, Ga.
Bryson
Buchanan
Buckley, Ill.
Buckley, N. Y.
Burdick
Burke
Burleson
Burnside
Burton
Byrne, N. Y.
Camp
Canfield
Cannon
Carlyle
Carnahan
Carroll
Celler
Chatham
Chelf
Chesney
Christopher
Chudoff
Clemente
Colmer
Combs
Cooley
Cooper
Crook
Davis, Ga.
Davis, Tenn.
Dawson
Deane
DeGraffenried
Delaney
Denton
Dingell
Dollinger
Donohue
Doughton
Douglas
Doyle
Durham
Eberharter
Elliott
Engle, Calif.
Evins
Fallon
Feighan
Fernandez
Fisher
Flood
Fogarty
Forand
Frazier
Fugate
Furcolo
Garmatz
Gary
Gathings
Gilmer
Gordon
Gore
Gorski
Gossett
Granahan
Granger
Grant
Green
Gregory
Gross
Hagen
Hall,
Edwin Arthur
Hardy
Hare
Harris
Harrison
Hart
Havenner
Hays, Ark.
Hays, Ohio
Hébert
Hedrick
Heffernan
Heller
Herlong
Hobbs
Holifield
Howell
Huber
Hull
Irving
Jackson, Wash.
Jacobs
Javits
Jones, Ala.
Jones, Mo.
Jones,
Hamilton C.
Jones,
Woodrow W.
Judd
Karst
Karsten
Kelly, N. Y.
Keogh
Kerr
Kilday
King
Kirwan
Klein
Kruse
Lane
Lanham
Larcade
Lind
Linehan
Lucas
Lyle
Lynch
McCarthy
McCormack
McGrath
McKinnon
McMillan, S. C.
McSweeney
Mack, Ill.
Madden
Magee
Mahon
Mansfield
Marcantonio
Marsalis
Marshall
Miles
Miller, Calif.
Mills
Mitchell
Monroney
Morgan
Morris
Moulder
Multer
Murdock
Murphy
Murray, Tenn.
Murray, Wis.
Noland
Norrell
Norton
O'Brien, Ill.
O'Brien, Mich.
O'Hara, Ill.
O'Neill
O'Sullivan
O'Toole
Pace
Passman
Patten
Perkins
Peterson
Phillips, Tenn.
Pickett
Poage
Polk
Powell
Preston
Price
Priest
Quinn
Rabaut
Rains
Ramsay
Rankin
Redden
Regan
Rhodes
Ribicoff
Richards
Rivers
Robeson
Rodino
Rogers, Fla.
Rooney
Sabath
Sadowski
Sasscer
Secrest
Shelley
Sheppard
Sikes
Sims
Smathers
Smith, Va.
Spence
Staggers
Stanley
Steed
Stigler
Sullivan
Sutton
Tackett
Tauriello
Teague
Thomas
Thompson
Thornberry
Trimble
Underwood
Vinson
Wagner
Walsh
Walter
Welch
Wheeler
White, Calif.
Whittington
Wickersham
Wier
Williams
Willis
Wilson, Okla.
Wilson, Tex.
Winstead
Withrow
Wood
Woodhouse
Yates
Young
Zablocki

ANSWERED "PRESENT"—1

Cox

NOT VOTING—31

Bates, Ky.
Bonner
Cavalcante
Crosser
Davenport
Davies, N. Y.
Eaton
Gavin
Gillette
Herter
Hoffman, Mich.
Jennings
Kearney
Kearns
Kee
Keefe
Kelley, Pa.
Lichtenwalter
McGuire
McMillen, Ill.
Morrison
O'Konski
Patman
Pfeifer
Joseph L.
Philbin
Roosevelt
Smith, Ohio
Van Zandt
Whitaker
White, Idaho
Whitten

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Herter for, with Mr. Cox against.

Mr. Kearns for, with Mr. Roosevelt against.

Mr. Hoffman of Michigan for, with Mr. Bonner against.

Mr. Smith of Ohio for, with Mr. Morrison against.

Mr. Lichtenwalter for, with Mr. Whitaker against.

Mr. Gillette for, with Mr. McGuire against.

Mr. Gavin for, with Mr. Kelly of Pennsylvania against.

Mr. Eaton for, with Mr. Crosser against.

Mr. McMillen of Illinois for, with Mr. Philbin against.

Until further notice:

Mr. Whitten with Mr. Keefe.

Mr. Bates of Kentucky with Mr. O'Konski.

Mr. Patman with Mr. Van Zandt.

Mr. Kee with Mr. Jennings.

Mr. Joseph L. Pfeifer with Mr. Kearney.

Mr. COX. Mr. Speaker, I have a live pair with the gentleman from Massachusetts, Mr. HERTER. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. DOUGHTON. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 378, nays 20, not voting 31, as follows:

[Roll No. 291]

YEAS—378

Abbitt
Abernethy
Addonizio
Albert
Allen, Calif.
Allen, Ill.
Allen, La.
Andersen,
H. Carl
Andresen,
August H.
Andrews
Angell
Arends
Aspinall
Auchincloss
Bailey
Barden
Baring
Barrett, Pa.
Barrett, Wyo.
Bates, Mass.
Battle
Beall
Beckworth
Bennett, Fla.
Bennett, Mich.
Bentsen
Biemiller
Bishop
Blackney
Blatnik
Boggs, Del.
Boggs, La.
Bolling
Bolton, Md.
Bolton, Ohio
Bosone
Boykin
Bramblett
Breen
Brehm
Brooks
Brown, Ga.
Brown, Ohio
Bryson
Buchanan
Buckley, Ill.
Buckley, N. Y.
Burdick
Burke
Burleson
Burnside
Burton
Byrne, N. Y.
Camp
Canfield
Cannon
Carlyle
Carnahan
Carroll
Case, N. J.
Case, S. Dak.
Celler
Chatham
Chelf
Chesney
Chiperfield
Christopher
Chudoff
Clemente
Cole, Kans.
Cole, N. Y.
Colmer
Combs
Cooley
Cooper
Corbett
Cotton
Coudert
Cox
Crook
Cunningham
Curtis
Dague
Davis, Ga.
Davis, Tenn.
Davis, Wis.
Dawson
Deane
DeGraffenried
Delaney
Denton
D'Ewart
Dingell
Dollinger
Dolliver
Dondero
Donohue
Doughton
Douglas
Doyle
Durham
Eberharter
Elliott
Ellsworth
Elston
Engel, Mich.
Engle, Calif.
Evins
Fallon
Feighan
Fellows
Fenton
Fernandez
Fisher
Flood
Fogarty
Forand
Ford
Frazier
Fugate
Fulton
Furcolo
Gamble
Garmatz
Gary
Gathings
George
Gilmer
Golden
Goodwin
Gordon
Gore
Gorski
Gossett
Graham
Granahan
Granger
Grant
Green
Gregory
Gross
Guill
Gwinn
Hagen
Hale
Hall,
Edwin Arthur
Hall,
Leonard W.
Halleck
Hand
Harden
Hardy
Hare
Harris
Harrison
Hart
Harvey
Havenner
Hays, Ark.
Hays, Ohio
Hébert
Hedrick
Heffernan
Heller
Herlong
Heselton
Hill
Hinshaw
Hobbs
Hoeven
Hoffman, Ill.
Holifield
Holmes
Hope
Horan
Howell
Huber
Hull
Irving
Jackson, Calif.
Jackson, Wash.
Jacobs
James
Javits
Jenison
Jenkins
Johnson
Jonas
Jones, Ala.
Jones, Mo.
Jones,
Hamilton C.
Jones,
Woodrow W.
Judd
Karst
Karsten
Kean
Kearney
Keating
Kelly, N. Y.
Kennedy
Keogh
Kerr
Kilburn
Kilday
King
Kirwan
Klein
Kruse
Kunkel
Lane
Lanham
Larcade
Latham
LeCompte
LeFevre
Lichtenwalter
Lind
Linehan
Lodge
Lovre
Lucas
Lyle
Lynch
McCarthy
McConnell
McCormack
McCulloch
McDonough
McGrath
McGregor
McKinnon
McMillan, S. C.
McSweeney
Mack, Ill.
Mack, Wash.
Macy
Madden
Magee
Mahon
Mansfield
Marcantonio
Marsalis
Marshall
Martin, Iowa
Martin, Mass.
Merrow
Michener
Miles
Miller, Calif.
Miller, Md.
Miller, Nebr.
Mills
Mitchell
Monroney
Morgan
Morris
Morton
Moulder
Multer
Murdock
Murphy
Murray, Tenn.
Murray, Wis.
Nelson
Nicholson
Noland
Norblad
Norrell
Norton
O'Brien, Ill.
O'Brien, Mich.
O'Hara, Ill.
O'Neill
O'Sullivan
O'Toole
Pace
Passman
Patten
Patterson
Perkins
Peterson
Pfeiffer,
William L.
Phillips, Tenn.
Pickett
Poage
Polk
Potter
Poulson
Preston
Price
Priest
Quinn
Rabaut
Rains
Ramsay
Rankin
Redden
Rees
Regan
Rhodes
Ribicoff
Richards
Riehlman
Rivers
Robeson
Rodino
Rogers, Fla.
Rogers, Mass.
Rooney
Sabath
Sadlak
Sadowski
St. George
Sanborn
Sasscer
Saylor
Scott, Hardie
Scott,
Hugh D., Jr.
Scrivner
Scudder
Secrest
Shelley
Sheppard
Short
Sikes
Simpson, Ill.

Sims	Thornberry	Wickersham
Smathers	Tollefson	Widnall
Smith, Va.	Towe	Wier
Spence	Trimble	Wigglesworth
Staggers	Underwood	Williams
Stanley	Velde	Willis
Steed	Vinson	Wilson, Okla.
Stefan	Vorys	Wilson, Tex.
Stigler	Vursell	Winstead
Sullivan	Wagner	Withrow
Sutton	Walsh	Wolcott
Tackett	Walter	Wolverton
Talle	Weichel	Wood
Tauriello	Welch	Woodhouse
Taylor	Werdel	Yates
Teague	Wheeler	Young
Thomas	White, Calif.	Zablocki
Thompson	Whittington	

NAYS—20

Anderson, Calif.	Plumley	Smith, Wis.
Byrnes, Wis.	Reed, Ill.	Stockman
Clevenger	Reed, N. Y.	Taber
Crawford	Rich	Wadsworth
Jensen	Shafer	Wilson, Ind.
Mason	Simpson, Pa.	Woodruff
Phillips, Calif.	Smith, Kans.	

NOT VOTING—31

Bates, Ky.	Jennings	Pfeifer,
Bonner	Kearns	Joseph L.
Cavalcante	Kee	Philbin
Crosser	Keefe	Powell
Davenport	Kelley, Pa.	Roosevelt
Davies, N. Y.	McGuire	Smith, Ohio
Eaton	McMillen, Ill.	Van Zandt
Gavin	Morrison	Whitaker
Gillette	O'Hara, Minn.	White, Idaho
Herter	O'Konski	Whitten
Hoffman, Mich.	Patman	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Herter for, with Mr. Hoffman of Michigan against.

Mr. Kearns for, with Mr. Smith of Ohio against.

Until further notice:

Mr. Roosevelt with Mr. Eaton.
Mr. Morrison with Mr. Gavin.
Mr. Bonner with Mr. Gillette.
Mr. Whitaker with Mr. Jennings.
Mr. Whitten with Mr. Van Zandt.
Mr. McGuire with Mr. O'Konski.
Mr. Kelley of Pennsylvania with Mr. McMillen of Illinois.
Mr. Crosser with Mr. Keefe.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND REMARKS ON TAX BILL

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

GRANTING PRIVILEGE OF BECOMING NATURALIZED CITIZENS OF THE UNITED STATES

Mr. SABATH, from the Committee on Rules, reported the following privileged resolution (H. Res. 874, Rept. No. 3149), which was referred to the House Calendar and ordered to be printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 9780) providing the privilege of becoming a naturalized citizen of the United States to all aliens having a legal right to permanent residence. That after general debate which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

MEMBERS OF CONGRESS TO ATTEND COMMONWEALTH ASSOCIATION IN AUSTRALIA AND NEW ZEALAND

Mr. RICHARDS. Mr. Speaker, I ask unanimous consent for the immediate consideration of Senate Concurrent Resolution 105.

The Clerk read the Senate concurrent resolution, as follows:

Resolved by the Senate (the House of Representatives concurring), That the Vice President and the Speaker of the House of Representatives are authorized to appoint four Members of the Senate and four Members of the House of Representatives, respectively, to attend the next general meeting of the Commonwealth Parliamentary Association to be held in Australia or New Zealand and to designate the chairmen of the delegations from each of the Houses to be present at such meeting. The expenses incurred by the members of the delegations and staff appointed for the purpose of carrying out this concurrent resolution shall not exceed $10,000 for each of the delegations and shall be reimbursed to them from the contingent fund of the House of which they are Members, upon submission of vouchers approved by the chairman of the delegation of which they are members.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, and I am not going to object, I understand this resolution has already been passed by the Senate and must be passed by the House at the earliest possible moment?

Mr. RICHARDS. That is correct.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The Senate concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

The SPEAKER. Under previous order of the House, the gentleman from Illinois [Mr. VELDE] is recognized for 30 minutes.

INDICTMENT OF STEVE NELSON, DR. JOSEPH W. WEINBERG, ET AL.

Mr. VELDE. Mr. Speaker, last Thursday, November 30, I made the statement that I was going to ask for time this week to give in detail points concerning Steve Nelson and Dr. Joseph W. Weinberg, commonly known as Scientist X. These two men were among those cited by the House of Representatives last August 10, 1950, for refusal to answer questions by the House Un-American Activities Committee. There was an overwhelming vote at that time by the House favoring such action. Out of the 56 persons cited, 17 have now been indicted for contempt of Congress by grand juries.

Yesterday I received a piece of very gratifying news. On Monday morning Steve Nelson was indicted by a grand jury, along with four others, Irving David Fox, Giovanni Rossi Lomanitz, David Bohm, and Marcel Scherer. I want to congratulate the members of the grand jury on this action. I also want to congratulate United States Attorney Fay for his expeditious handling of these indictments. I hope and urge that Attorney Fay and his staff will be just as prompt in prosecuting these cases as he was in bringing them before the grand jury.

I rejoice more over the news concerning Steve Nelson, because to me he appears probably the most dangerous organizer the Soviet Union has ever trained and placed in this country. Steve Nelson has roamed this land, comparatively unmolested, and preached his Godless gospel to workers in all types of factories and plants, labor union groups, groups of young and impressionable students as well as teachers in schools and universities. In general he has managed to insinuate himself into almost every segment of our population's economy, as well as thought. No one man has been given more free rein in spreading the vicious propaganda designed to enslave our people by Soviet Russia. Steve Nelson has used our country in many ways, and has been protected by wealthy and influential friends, even managing to influence certain Members of Congress. There is no doubt about it, he is a master organizer and a very willing tool of Joe Stalin. I rejoice that he has finally been brought to heel, and will be happy to see the day his power is destroyed, and he will no longer be able to influence any part of our American people in their thinking. His case brings to my mind a quotation often heard:

The mills of God grind slowly, yet they grind exceeding small.

I would like to refer you to two reports published by the House Un-American Activities Committee, entitled "Hearings Regarding Steve Nelson, Including Foreword," dated June 8, 1949, and "Report on Atomic Espionage (Nelson-Weinberg-Hiskey-Adams Cases), dated September 29, 1949." A careful reading of just these two reports should convince any doubting Thomases among you that Steve Nelson and others of his ilk are no idle threat to America. For those who do not care to obtain these reports, I might refer you to the August 9 issue of the CONGRESSIONAL RECORD of this past session, where I was able to have placed a fund of information on Steve Nelson and others.

Now, taking up the case of Dr. Joseph W. Weinberg, or Scientist X. This case is one of which I have personal knowledge. I was assigned during the war years to the Berkeley, Calif., territory as an FBI agent. Dr. Weinberg was attached to the teaching staff of the University of California in Berkeley, Calif., as a research physicist, working, by the way, on part of the formula connected with the atomic bomb, and his activities drew the attention of the FBI, along with

a group of other research physicists. Scientist X was, of course, tied in with the activities of Steve Nelson, being used by him to get information for Russia concerning the work on the atomic bomb.

Mr. Speaker, at this point I ask unanimous consent to insert excerpts from a report of the Committee on Un-American Activities entitled "Report on Atomic Espionage—Nelson-Weinberg and Hiskey-Adams Cases."

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The excerpts are as follows:

REPORT ON ATOMIC ESPIONAGE

(Nelson-Weinberg and Hiskey-Adams cases)

SCIENTIST X CASE

This case deals with the activities of that branch of the Communist espionage apparatus which operated on the Pacific coast, particularly within the radiation laboratory of the University of California at Berkeley which was engaged in certain activities in connection with the development of the atomic bomb. This case, in the past, has been identified by the committee as the Scientist X case. The committee, as a result of an investigation pursued this year, has received testimony identifying the scientist involved in this case as Joseph Woodrow Weinberg.

Previous reports regarding the Scientist X case have identified Steve Mesarosh, alias Louis Evans, alias Steve Nelson, as the Communist espionage agent who was engaged in securing information regarding the development of the atomic bomb from Scientist X.

Under the guidance of Steve Nelson, infiltration of the radiation laboratory actually began in other ways. A cell was developed within the laboratory consisting of five or six young physicists. The existence of the cell has been established in sworn testimony before this committee. According to a sworn statement by a witness, Giovanni Rossi Lomanitz was the principal Communist Party organizer. The records of this committee also reflect that David Bohm, presently a professor of physics at Princeton University, was also a member of this cell. Upon two occasions both Giovanni Rossi Lomanitz and David Bohm declined to answer questions regarding their respective memberships in this cell upon the ground that to do so might tend to incriminate them.

The details of the meeting between Nelson and Scientist X are set forth as follows:

Late one night in March 1943, a scientist at the University of California, who identified himself as "Joe" went to the home of Steve Nelson, after having made arrangements earlier in the evening with Steve Nelson's wife to meet Nelson at Nelson's home. When Joe arrived at Nelson's home, Nelson was not present but arrived at about 1:30 on the morning of the following day. Upon his arrival at his home, Nelson greeted Joe and the latter told him that he had some information that he thought Nelson could use. Joe then furnished highly confidential information regarding the experiments conducted at the radiation laboratories of the University of California at Berkeley. At the time this occurred, the radiation laboratories at Berkeley were engaged in vital work in the development of the atomic bomb.

Several days after Nelson had been contacted by Joe, Nelson contacted the Soviet consulate in San Francisco and arranged to meet Peter Ivanov, the Soviet vice consul, at some place where they could not be observed. Ivanov suggested that he and Nelson meet at the "usual place."

As a result of the surveillance that was being kept on Nelson, the meeting between Nelson and Ivanov was found to take place in the middle of an open park on the St. Francis Hospital grounds in San Francisco. At this meeting, Nelson transferred an envelope or package to Ivanov. A few days after this meeting between Nelson and Ivanov, on the St. Francis Hospital grounds, the third secretary of the Russian Embassy in Washington, a man by the name of Zubilin came to the Soviet consulate in San Francisco. Shortly after his arrival, Zubilin met Nelson in Nelson's home and at this meeting paid Nelson 10 bills of unknown denominations.

When Nelson testified before the committee in September 1948, he refused to answer all pertinent questions on the ground that his answers would tend to incriminate him. During this interrogation, he was asked whether he was acquainted with Vassili Zubilin, of the Soviet Embassy, and refused to answer on the ground that to do so might incriminate him.

EXTRACTS FROM INTELLIGENCE REPORTS—SCIENTIST X CASE

During the course of the committee's investigation of the Scientist X case, certain information contained in reports made by intelligence agents was obtained by the committee. An extract from one of these reports reads as follows:

"A very reliable and highly confidential informant advised that certain instructions had been given by Steve Nelson, who was at the time a member of the national committee of the Communist Party of the United States, to the scientist identified herein as Joseph W. Weinberg, a research physicist connected with the atomic bomb at the University of California, at Berkeley, Calif. The instructions were that Weinberg should furnish Nelson with information concerning the atomic bomb project so that Nelson could, in turn, deliver it to the proper officials of the Soviet Government. Nelson advised Weinberg to furnish him any information which he might obtain from trustworthy Communists working on the atomic project; he, Nelson, being of the belief that collectively the Communist scientists working on the project could assemble all the information regarding the manufacture of the atomic bomb. Nelson told Weinberg that all Communists engaged on the atomic-bomb project should destroy their Communist Party membership books, refrain from using liquor, and use every precaution regarding their espionage activities."

At the time of this meeting, according to an extract from an intelligence report, Weinberg furnished Nelson with information regarding the experiments which had been conducted in connection with the development of the atomic bomb at the radiation laboratories of the University of California. The information furnished Nelson by Weinberg was taken down in the form of notes by Nelson.

An extract from a report filed with the committee states that Weinberg, while employed on the atomic bomb project, had as his closest associates Giovanni Rossi Lomanitz, David Joseph Bohm, Max Bernard Friedman, and Irving David Fox, all of whom have refused to answer questions propounded by the committee regarding Communist Party activities and associations on the ground of self-incrimination.

Regarding the identity of the scientist as the person who furnished information concerning the atomic bomb to Steve Nelson in March of 1943, the following is an extract from testimony given to the committee during the month of August 1949 by James Sterling Murray, presently assistant to the president of the Lindsay Light & Chemical Co., West Chicago, Ill., and formerly officer in charge of security and intelligence in the San Francisco, Calif., area for the Manhattan Engineering District, which was the division of the United States Army charged with the development and production of the atomic bomb:

"Mr. MURRAY. A highly confidential informant informed our office that an unidentified scientist at the radiation laboratories had disclosed certain secret information about the Manhattan engineering project to a member of the Communist Party in San Francisco, and this confidential informant went on to say that such information was transmitted to the Russian consulate in San Francisco and later was on its way to Washington, D. C., and later out of the country in a diplomatic pouch. This was the only allegation we had to begin with, but through information which the confidential informant was able to supply us on the background of the particular scientist, we finally narrowed it down and definitely fixed the scientist as Weinberg."

In addition to the identification mentioned above, it should be pointed out that a number of persons who were engaged in the investigation of the Scientist X case have been interrogated by the committee, and/or its staff, and the identification made by Witness Murray has been concurred in by these other persons.

On Tuesday, April 26, 1949, Steve Nelson was again a witness before the Committee on Un-American Activities. On this occasion, Joseph W. Weinberg was brought face to face with Steve Nelson, and when Steve Nelson was asked the question as to whether he was acquainted with Weinberg, he refused to answer on the ground that to answer might tend to incriminate him.

Upon two occasions, Joseph W. Weinberg, in appearances before the committee, specifically denied having furnished any information regarding the atomic bomb to Steve Nelson. This is in direct contradiction to the testimony of James Sterling Murray and other witnesses who have appeared before the committee.

The committee, during its investigation, devoted a great deal of time toward establishing the true facts regarding a meeting which was held in the home of Joseph Weinberg in Berkeley, Calif., in August 1943. According to information furnished by witnesses before the committee, this meeting was attended by Bernadette Doyle, who was secretary to Steve Nelson during the period he was the Communist Party organizer for Alameda County, Calif.; Steve Nelson; Giovanni Rossi Lomanitz; Irving David Fox; David Bohm; and Ken Max Manfred, formerly known as Max Bernard Friedman. As will be shown, Joseph Weinberg was present in his apartment in Berkeley, Calif., at the time this meeting was held. All of the persons mentioned as attendants at this meeting were employed by the Radiation Laboratory of the University of California, at Berkeley, with the exception of Bernadette Doyle and Steve Nelson. All of these persons were reported, during the course of the committee's investigation, as being members of the Communist Party.

All of the persons mentioned as having attended the meeting in the home of Joseph Weinberg in August 1943 were subpenaed as witnesses before the committee, with the exception of Bernadette Doyle. Witnesses Lomanitz, Nelson, Fox, Bohm, and Manfred declined to answer questions regarding this meeting upon the ground that to do so might tend to incriminate them. Joseph W. Weinberg was questioned regarding this meeting upon two occasions by the committee, and denied that such a meeting had ever been held in his home, and further denied that he knew or had ever been acquainted with Steve Nelson and Bernadette Doyle.

Altogether Joseph Weinberg has appeared before the committee upon three occasions, and pertinent extracts of the testimony given

by him upon these appearances before the committee are being set forth as follows:

"QUESTION. I show you a photograph of an individual and ask if you have ever seen this person.

"Mr. WEINBERG. No; I have not seen him before.

"QUESTION. Mr. Chairman, I have shown the witness a picture of an individual known as Steve Nelson.

"Have you ever known this person under any name other than Steve Nelson?

"Mr. WEINBERG. So far as I can recollect, no.

"QUESTION. Mr. Weinberg, are you certain you have never seen this individual whose picture I have shown you [showing photograph to Mr. Weinberg]?

"Mr. WEINBERG. Within reason, I am.

"QUESTION. I have shown the witness a picture and he said he is reasonably certain he has never seen Steve Nelson. I am sure the witness is aware of the penalties of perjury. I am sure his counsel has advised him of the penalties of perjury before a committee of Congress.

"You are now viewing two pictures of Steve Nelson. That is not Mr. Nelson's real name. He is known under various names, but I ask you if you have ever seen that individual, if you ever saw him in the years 1942, 1943, 1944, or 1945.

"Mr. WEINBERG. So far as I know now I have never seen him. I don't think it is necessary to call your attention to the fact that you ask me about events that happened 5 years ago and that I have a very large circle of very casual acquaintances. Within those reasonable limits I would say I have not seen him.

"QUESTION. You have never seen that individual?

"Mr. WEINBERG. So far as I am aware.

"Mr. TAVENNER. Now, I believe you met Steve Nelson in Washington on April 26, 1949. Did you meet him prior to that time or had you met him prior to that time?

"Mr. WEINBERG. No.

"Mr. TAVENNER. Now, let me ask you if on or about the 17th day of August 1943 Steve Nelson came to your home at the address which you have just given, in Berkeley, Calif.?

"Mr. WEINBERG. I remember no such occasion.

"Mr. TAVENNER. Do I understand that you merely do not recollect or that you deny that he came there to visit you and that you saw him there?

"Mr. WEINBERG. The situation was more or less this, and perhaps I should take a moment to explain. At this time I had a very wide circle of acquaintances there. There were many people who dropped into my house. There were many students who brought friends and introduced them and who promptly walked out of my life thereafter. I exempt such possibilities when I say I do not recollect the occasion. That is, I would not be prepared to state emphatically and with absolute certainty that no such person ever dropped into my house. I would certainly be prepared to state emphatically that I had nothing significant to do with him at the time.

"Mr. TAVENNER. Do you know Bernadette Doyle?

"Mr. WEINBERG. No; I do not.

"Mr. TAVENNER. Is it not a fact that on the 17th day of August 1943 Steve Nelson and Bernadette Doyle visited you at your house?

"Mr. WEINBERG. I certainly don't remember any such visit. Or at least I don't remember the occasion.

"Mr. TAVENNER. I did not get the last answer.

"Mr. WEINBERG. I have no specific memory of such a visit or that it mattered or that a person by the name of Doyle was ever introduced to me.

"Mr. NIXON. Mr. Chairman, the witness has qualified several answers of late that he does not remember a visit that 'mattered,' and I think the record should be clear that that is not responsive to the question. Whether the visit mattered or not is not the point. It is whether or not these people visited him.

"Mr. WEINBERG. Well, then, sir, to the best of my ability, I would answer the question with a qualification that I do not remember such a visit, in the interests of saying strictly what I am qualified to say.

"Mr. WALTER. In other words, the visit made no impression?

"Mr. HARRISON. Nothing happened that would have made any impression on your mind?

"Mr. WEINBERG. That's correct. That was the intent of my remark that it did not matter.

"Mr. TAVENNER. Was there another occasion in 1943 on which Bernadette Doyle met you at the front door of your house and at which time you had a short conversation with her?

"Mr. WEINBERG. I remember no such occasion.

"Mr. TAVENNER. You still state that you have never met Bernadette Doyle?

"Mr. WEINBERG. Not to my knowledge.

"Mr. TAVENNER. Do you know now where Bernadette Doyle lived?

"Mr. WEINBERG. No; I do not.

"Mr. TAVENNER. Have you ever been to her house?

"Mr. WEINBERG. No.

"Mr. TAVENNER. Did you ever attend any of the meetings of the Young Communist League?

"Mr. WEINBERG. No.

"Mr. NIXON. Would you remember if Mr. Nelson had come to your house and spent an hour or so alone with you?

"Mr. WEINBERG. I think if Nelson had come to my house and introduced himself as some sort of high-ranking Communist and spoke to me for any length of time I would remember that occasion.

"Mr. CASE. Was that where you met Steve Nelson?

"Mr. WEINBERG. I certainly don't remember meeting Steve Nelson at that meeting or any other meeting."

Upon one occasion when Joseph Weinberg appeared before the committee, he was brought face to face with Steve Nelson, and the following is an extract from the testimony relating to a confrontation between Nelson and Weinberg upon this occasion:

"Mr. RUSSELL. Mr. Nelson, will you stand, please? Mr. Weinberg, will you face Mr. Nelson, the gentleman in back of you?

"Mr. Nelson, I ask you whether you are acquainted with this individual, Mr. Joseph Weinberg?

"Mr. NELSON. I refuse to answer that question on the ground that it may tend to incriminate me.

"Mr. RUSSELL. Mr. Weinberg, I ask you whether or not you are acquainted with Mr. Nelson, the gentleman facing you?

"Mr. WEINBERG. My only recollection of Mr. Nelson is a picture I have seen in the papers.

"Mr. RUSSELL. Are you acquainted with him?

Mr. WEINBERG. I am not acquainted with him.

"Mr. RUSSELL. Have you ever met Mr. Nelson?

"Mr. WEINBERG. I do not recall ever meeting Mr. Nelson. I do not believe I have ever met him."

With reference to the associations of Joseph W. Weinberg, Steve Nelson, and Bernadette Doyle, the following extracts from testimony presented to the committee by several witnesses on this point are being set forth herein. This testimony is in direct conflict with that of Joseph W. Weinberg.

"Mr. VELDE. You are satisfied that Dr. Joseph W. Weinberg was employed by the University of California in January 1943 and that he was engaged in work on the Manhattan project at that time?

"Mr. MURRAY. Yes. We were satisfied he was actively engaged in work on the project.

* * * * *

"Mr. MURRAY. On August 12, 1943, we were conducting physical surveillance of Joseph W. Weinberg, and at approximately 5 o'clock in the afternoon a highly confidential informant advised us that there was to be some type of a meeting at Weinberg's home that evening, at which Steve Nelson and Bernadette Doyle would be present. I immediately instituted surveillance of the entire area by the agents assigned to our office, to watch the visitors in the Weinberg home, and I myself stationed myself next door to the Weinberg home. I believe it was located on Blake Street in Berkeley, Calif.

"At approximately 9 o'clock I observed a man known to me to be Steve Nelson, and a woman known to me to be Bernadette Doyle, approach the Weinberg home and enter therein. After their entry into the Weinberg home, I, in the company of Agents Harold Zindle and George Rathman, went to the roof of the apartment house which was immediately next door to the Weinberg home, and from an observation post on the roof I was able to look into the second-story apartment of Weinberg.

"I noted Weinberg, Steve Nelson, and Bernadette Doyle, in company with at least five other members, some of whom were employed by the Radiation Laboratory, seated around a table in the dining room of the Weinberg apartment.

"At approximately 9:20 p. m. Weinberg came to the window and attempted to adjust the window, it being a very hot and sticky night. He had some difficulty in raising the window, or lowering it, or something, and Steve Nelson came over to help him, at which time I was able to get a good look and identify him.

"Mr. VELDE. Just a minute, if you please. Do you have a picture of Weinberg? I think at this point possibly you had better have him identify it.

"Mr. APPELL. We have a newspaper picture.

"Mr. RUSSELL. While Nelson and Weinberg were at the window, did you observe whether or not any conversation took place between the two individuals?

"Mr. MURRAY. I did observe some conversation, but I think it only had to do with the window adjustment at that point. I observed them sitting around the table, at which time the conversation appeared to be very serious.

"Mr. RUSSELL. Do you recall the other persons around the table in Weinberg's apartment at this meeting you are describing?

"Mr. MURRAY. I don't recall all. I know Giovanni Rossi Lomanitz, David Bohm, Irving David Fox, Max Friedman. I know Max Friedman was there, but for a very short time. He was the first one to leave.

"Mr. RUSSELL. What other agents of the Manhattan Engineering District accompanied you on the occasion of this surveillance?

"Mr. MURRAY. Special Agents Harold Zindle and George Rathman.

"Mr. RUSSELL. Will you spell Rathman, please?

"Mr. MURRAY. R-a-t-h-m-a-n.

"Mr. RUSSELL. These two agents were also assigned to the Manhattan Engineering District, were they not?

"Mr. MURRAY. Yes; they were. I was their immediate superior.

"Mr. RUSSELL. Did you maintain a surveillance of the Weinberg apartment?

"Mr. MURRAY. Yes; we did. I believe the meeting broke up at about 10:15 p. m., at which time we saw a general shaking of hands and a general showing of disposition to leave, at which time I ran down to the street floor again and observed Nelson and Doyle leaving together. They turned east on Blake Street, and I turned east on Blake Street also, and was immediately in front of them. We proceeded up the street ap-

proximately 100 feet in that fashion, at which time I thought, for the purposes of the record, that I should make some face-to-face contact with Mr. Nelson, and so I swung on my heel and started west on Blake Street, and in so doing I touched the shoulder of Nelson. We both immediately pardoned each other, and I continued west on Blake Street, and my surveillance of the entire proceeding was at an end at that point.

"Mr. APPELL. Mr. Murray, I show you a picture and ask you if you can identify the person on the left as you look at the picture as being that of Steve Nelson?

"Mr. MURRAY. Yes; that is Steve Nelson as slightly older than when I knew him.

"Mr. APPELL. And that is the individual you bumped into on Blake Street in Berkeley, Calif.?

"Mr. MURRAY. Yes.

"Mr. VELDE. Let that be marked "Murray Exhibit 1" and received in evidence.

"Mr. RUSSELL. When you bumped into him, that was after he had left the residence of Joseph Weinberg?

"Mr. MURRAY. Yes.

"Mr. APPELL. I show you a picture that appeared in the Washington Post as of September 22, 1948, and ask if that is the individual you observed in the Blake Street residence with Steve Nelson?

"Mr. MURRAY. Yes. I identify the picture as the picture of Dr. Joseph Weinberg, and as the individual who was in his own apartment sitting around the table with Mr. Nelson.

"Mr. APPELL. And the individual you saw standing at a window of the apartment together with Steve Nelson, attempting to fix the window?

"Mr. MURRAY. Yes; that is right."

This witness furnished additional information regarding the association of Steve Nelson and Joseph Weinberg which is not being set forth in this report.

The following is a signed statement obtained by committee investigators from George J. Rathman, whose name appears in the testimony of James Sterling Murray as one of the agents attached to the Manhattan Engineering District who accompanied him on the surveillance regarding the meeting held by Nelson and certain other persons in the apartment of Joseph Weinberg in Berkley, Calif.:

"I have been interviewed concerning a surveillance I conducted along with Harold Zindle and James Murray, who were attached with me to the Manhattan Engineering District as special agents, Counterintelligence Corps, in Berkeley, Calif.

"On or about August 17, 1943, at approximately 8:45 p. m., Harold Zindle, Murray, and myself arrived at an apartment house adjacent to the residence of the subject of this surveillance, Joseph W. Weinberg. During this surveillance I had occasion to observe the subject, Joseph Weinberg; a man identified to me as Steve Nelson; a woman identified to me as Bernadette Doyle; together with four or five additional persons whom I could not identify due to my point of observation, engaged in conversation. At approximately 9:45 p. m., Joseph Weinberg and the man known to me as Steve Nelson appeared at the window of the second-story apartment of Joseph Weinberg, closing the window and lowering the shade. At approximately 10 p. m. on the night of this surveillance Harold Zindle, Murray, and the undersigned left the roof of the apartment house and proceeded to the street where Murray and the undersigned saw Steve Nelson and Bernadette Doyle walking west on Blake Street from the direction of the subject's residence.

"I am certain if I could observe Steve Nelson personally today that I would be able to identify him as the person who was present in the second-story apartment of Joseph Weinberg on the night of the surveillance.

"I have read the above statement and to the best of my knowledge and belief this statement is true in every respect.

"G. J. RATHMAN."

The following is an extract from the testimony furnished the committee by William S. Wagener, who was also attached to the Manhattan Engineering District:

"Mr. WHEELER. Do you know an individual by the name of Bernadette Doyle?

"Mr. WAGENER. Yes, sir.

"Mr. WHEELER. Did she contact any scientists employed by the radiation laboratory?

"Mr. WAGENER. Joseph Weinberg.

"Mr. WHEELER. On how many occasions?

"Mr. WAGENER. Just once.

"Mr. WHEELER. Will you describe the meeting?

"Mr. WAGENER. One evening we were on physical surveillance, and we saw this woman whom we identified as Bernadette Doyle go up to the door of Joseph Weinberg and talk to him for a few minutes. She departed and got in her car. She had her car parked a block or so away. She got in her car and drove away.

"Shortly after, Weinberg and his wife came out, got in their car, and drove around very suspiciously, stopping here and there, and apparently like they were going to contact someone, but they apparently did not meet the individual, whoever it was."

The following is an extract from the testimony furnished by Col. John L. Lansdale, Jr., who was also attached to the Manhattan Engineering District during the time agents of that district were conducting an investigation of Joseph Weinberg. Other than the statement set forth herein, Colonel Lansdale was unable to provide the committee with further information because of the Executive order prohibiting him from furnishing information to a congressional committee:

"Mr. RUSSELL. Are you familiar with the name Steve Nelson?

"Colonel LANSDALE. Yes, sir.

"Mr. RUSSELL. Do you recall the names of any scientists who were contacted by Steve Nelson?

"Colonel LANSDALE. At least one; yes.

"Mr. RUSSELL. Who was that?

"Colonel LANSDALE. Joseph Weinberg."

It is to be noted that the testimony of James Sterling Murray regarding the association of Bernadette Doyle and Joseph Weinberg is corroborated by the signed statement of witness George J. Rathman and the testimony of William S. Wagener.

During the committee's examination of witnesses Mr. and Mrs. Paul Crouch, it was developed that both of these individuals had attended Communist Party meetings with Joseph Woodrow Weinberg. Mrs. Crouch recalled one particular meeting of the Young Communist League which Weinberg attended and which was held in a private home. Witness Paul Crouch, who was the predecessor of Steve Nelson as Communist Party organizer in Alameda County, Calif., identified Weinberg as a person who had attended the meeting of the Young Communist League, mentioned by his wife, and at least two or three other meetings of the Young Communist League which were held in a private home in Oakland, Calif. Neither of these witnesses, however, knew Weinberg's name. The testimony of Paul and Sylvia Crouch regarding their identification of Joseph Weinberg is being printed and made a part of this report.[1]

The committee has additional evidence regarding the meeting held in the home of Joseph W. Weinberg during the month of August 1943, but for obvious reasons all of the committee's evidence is not being incorporated in this report.

[1] See hearings regarding Communist Infiltration of Radiation Laboratory and Atomic-Bomb Project at the University of California, Berkeley, Calif., vol. II (Identification of Scientist X).

RECOMMENDATION FOR PERJURY PROSECUTION

Based upon the testimony set forth above and the testimony of other witnesses appearing before the committee, it is the committee's opinion that Joseph Weinberg made untruthful statements upon the three occasions he appeared before the committee.

Testimony before the committee and signed statements furnished to committee investigators indicate that Joseph Weinberg did not testify truthfully when he said:

1. That he did not know Steve Nelson.
2. That he did not know Bernadette Doyle.
3. That he had never attended any meeting of the Young Communist League, and that he had never been a member of the Communist Party.

It is recommended that the Attorney General convene a special grand jury in the District of Columbia for the purpose of hearing certain witnesses whose names will be furnished by this committee, and who have knowledge of the untruthful statements made by Joseph Weinberg.

WITNESSES INTERROGATED INCLUDED THOSE EMPLOYED ON ATOMIC BOMB PROJECT

The committee has interrogated the following persons who were attached to the radiation laboratory at the University of California at Berkeley and who, while employed there, were performing work on the atomic bomb:

Giovanni Rossi Lomanitz, formerly professor of physics at Fisk University, Nashville, Tenn.

David Bohm, who is presently assistant professor of physics at Princeton University, Princeton, N. J.

Ken Max Manfred, formerly known as Max Bernard Friedman, who is presently attending the University of California at Berkeley as a result of a scholarship granted him by the University of Puerto Rico amounting to $2,000 per year. Manfred is attending the University of California at Berkeley by virtue of a leave of absence granted him by the University of Puerto Rico, where he is employed as an assistant professor of physics, in order to obtain a degree of doctor of philosophy.

Irving David Fox, who is presently employed as a teaching assistant by the University of California at Berkeley.

Joseph Weinberg, who is presently employed as an assistant professor of physics at the University of Minnesota. Weinberg was born on January 19, 1917, at New York City, N. Y. He attended public schools in the Bronx, New York, and graduated from the DeWitt Clinton High School in New York City in 1932. During the years 1932 to 1936 he attended City College in New York City. In 1937 he attended the University of Michigan during the summer session, and during the academic year of 1938–39 he attended the University of Wisconsin. During the years 1939–43 he attended the University of California, from which he received a doctor of philosophy degree.

Frank Friedman Oppenheimer, whose resignation from the University of Minnesota as an assistant professor of physics was recently accepted by the university.

Robert R. Davis, who was formerly employed by the Manhattan engineering district at the University of California Radiation Laboratories.

Upon two occasions, witnesses David Bohm and Giovanni Rossi Lomanitz declined to answer questions regarding Communist Party membership and activities on the ground that to do so might tend to incriminate them. Witnesses Manfred and Fox declined to answer questions regarding Communist Party membership and associations on the occasion of their appearance before the committee on the ground that to do so might tend to incriminate them. Witness Robert R. Davis, on the occasion of his appearance before the committee, testified that he had been recruited into the Communist

Party by Giovanni Rossi Lomanitz. Frank Friedman Oppenheimer, upon the occasion of his appearance before the committee, admitted former membership in the Communist Party but declined to answer any questions pertaining to the Communist associations of other individuals.

Mr. VELDE. Mr. Speaker, the unanimous recommendation by the House Un-American Activities Committee members for the prosecution of Dr. Joseph W. Weinberg for perjury was made about 15 months ago. The Attorney General was furnished with names of witnesses who could substantiate the charge of perjury. I previously criticized the Department of Justice for failure to bring grand-jury action in this particular case. I realize full well that the Attorney General would like to win every criminal case he tries, and that in many ways is a laudable ambition. I realize further that the Department of Justice attorneys want to do all they can to preserve the rights and freedoms of individuals on trial and abhor conviction of an innocent man; however, in this particular case it seems that the desire on the part of the Attorney General's office to protect the innocent is not being furthered in good faith. There is also another class of people whose rights must be considered, they being the great majority of American citizens who are loyal to our form of government. In my opinion this class of citizens also deserve protection against those who are disloyal and those who would attempt to betray us to foreign nations. In any event, there is no reason why the evidence which has already been assembled, partly by the Attorney General's office and partly by the Un-American Activities Committee, should not be immediately presented to the grand jury. If the grand jury, in conjunction with the Attorney General's office handling the case, feels there is not sufficient evidence to warrant the indictment for perjury of Dr. Weinberg, they can always vote a no true bill but some action should be taken by the Attorney General immediately. After all, Dr. Weinberg is still teaching young men and women nuclear physics at the University of Minnesota. His innocense or guilt should be determined in accordance with the American system of jurisprudence and thus alleviate or substantiate any fear which might be in the minds of the officials of the University of Minnesota regarding the loyalty of one of its instructors.

At this point I would like to ask unanimous consent to insert exerpts from the House Un-American Activities Report entitled "Report on Atomic Espionage, Nelson-Weinberg and Hiskey-Adams Cases" in the CONGRESSIONAL RECORD. This report deals directly with the case of Dr. Joseph W. Weinberg and should afford much food for thought.

In closing I would like to say this. We are allowing our sons to fight on foreign soil to protect another country from communism. We are pouring billions into European countries to protect them from the further inroads of communism, endeavoring to stem and turn back the tide which has already threatened to engulf the whole of Europe. In the meantime, communism has been allowed to flourish freely in our own country, or at least has not been checked to any appreciable extent. The American public has shown that it is aroused over this problem, and it is time we kept faith with them. Do you think our young men are going to faithfully fight and die to rid a foreign country of communism, only to come home and then with equanimity or indifference face the ugly picture of communism in their own country? Mr. Speaker, it should make us pause and think.

EXTENSION OF REMARKS

Mr. MARTIN of Iowa asked and was given permission to extend his remarks and include an article entitled "A Tax Program To Support the Policy of Containment."

Mr. GWINN asked and was given permission to extend his remarks in two instances, and in one to include an editorial from the New York Times.

Mrs. HARDEN asked and was given permission to extend her remarks and include an editorial appearing in the November 29 edition of the Daily Clintonian, edited and published by George Carey, of Clinton, Ind.

Mr. DOYLE asked and was given permission to extend his remarks and include appropriate material.

Mr. COUDERT (at the request of Mr. BYRNES of Wisconsin) was given permission to extend his remarks and include an address.

Mr. McCORMACK asked and was given permission to extend his remarks and include an editorial.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. MARSALIS, indefinitely, on account of death in family.

To Mr. KEARNS (at the request of Mr. CORBETT), on account of death in family.

ADJOURNMENT

Mr. McCORMACK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 17 minutes p. m.) the House adjourned until tomorrow, Wednesday, December 6, 1950, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1768. A communication from the President of the United States, transmitting proposed supplemental appropriations for the fiscal year 1951 in the amount of $934,000 for the Alaska Communication System (H. Doc. No. 730); to the Committee on Appropriations and ordered to be printed.

1769. A communication from the President of the United States, transmitting proposed supplemental appropriations for the fiscal year 1951 in the amount of $5,068,000 for the National Advisory Committee for Aeronautics (H. Doc. No. 731); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. WILLIAMS: Committee on Post Office and Civil Service. Preliminary report (pt. II) pursuant to House Resolution 114, Eighty-first Congress; without amendment (Rept. No. 2457, pt. II). Referred to the Committee of the Whole House on the State of the Union.

Mr. WILLIAMS: Committee on Post Office and Civil Service. Preliminary report (pt. III) pursuant to House Resolution 114, Eighty-first Congress; without amendment (Rept. No. 2457, pt. III). Referred to the Committee of the Whole House on the State of the Union.

Mr. SPENCE: Committee on Banking and Currency. H. R. 9763. A bill to amend the Housing and Rent Act of 1947, as amended; without amendment (Rept. No. 3143). Referred to the Committee of the Whole House on the State of the Union.

Mr. MURRAY of Tennessee: Committee on Post Office and Civil Service. S. 4102. An act relating to contracts for the transmission of mail by pneumatic tubes or other mechanical devices; without amendment (Rept. No. 3144). Referred to the Committee of the Whole House on the State of the Union.

Mr. MURRAY of Tennessee: Committee on Post Office and Civil Service. S. 3263. An act to amend Veterans' Preference Act of 1944 with respect to certain mothers of veterans; without amendment (Rept. No. 3145). Referred to the Committee of the Whole House on the State of the Union.

Mr. MURRAY of Tennessee: Committee on Post Office and Civil Service. S. 3654. An act to amend section 3 of the Postal Salary Act of July 6, 1945; without amendment (Rept. No. 3146). Referred to the Committee of the Whole House on the State of the Union.

Mr. MURRAY of Tennessee: Committee on Post Office and Civil Service. S. 3672. An act to amend section 3 (c) of the Civil Service Retirement Act so as to make the exclusion from such act of temporary employees of the Senate and House of Representatives inapplicable to such employees with one or more years of service; without amendment (Rept. No. 3147). Referred to the Committee of the Whole House on the State of the Union.

Mr. MURRAY of Tennessee: Committee on Post Office and Civil Service. S. 3910. An act relating to the assignment of surplus clerks in the postal transportation service; without amendment (Rept. No. 3148). Referred to the Committee of the Whole House on the State of the Union.

Mr. SABATH: Committee on Rules. House Resolution 874. Resolution for consideration of H. R. 9780, a bill providing the privilege of becoming a naturalized citizen of the United States to all aliens having a legal right to permanent residence; without amendment (Rept. No. 3149). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. RAMSAY:

H. R. 9846. A bill to prohibit the importation of certain articles and products containing raw materials with respect to which priorities have been established or allocations made under the Defense Production Act of 1950; to the Committee on Banking and Currency.

By Mr. REED of New York:

H. R. 9847. A bill to amend section 22 (d) (6) of the Internal Revenue Code; to the Committee on Ways and Means.

By Mr. McCARTHY:

H. R. 9848. A bill amending the Civil Service Retirement Act of May 29, 1930, as amended; to the Committee on Post Office and Civil Service.

By Mr. BARRETT of Wyoming:

H. R. 9849. A bill granting the consent of Congress to the States of Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming to negotiate and enter into a compact for the disposition, allocation, diversion, and apportionment of the waters of the Columbia River and its tributaries, and for other purposes; to the Committee on Public Lands.

By Mr. BURDICK:

H. R. 9850. A bill to increase the rates of basic compensation provided for Government officers and employees by the Classification Act of 1949, as amended; to the Committee on Post Office and Civil Service.

By Mr. CLEMENTE:

H. R. 9851. A bill to amend title 28, United States Code, to require Federal grand and petit jurors to take an oath of allegiance, and for other purposes; to the Committee on the Judiciary.

By Mr. LEONARD W. HALL:

H. R. 9852. A bill to amend part I of the Interstate Commerce Act so as to exempt therefrom any railroad which operates wholly within a State if 95 percent or more of its passenger revenues are derived from intrastate transportation of passengers; to the Committee on Interstate and Foreign Commerce.

By Mr. RICHARDS:

H. R. 9853. A bill to promote the foreign policy and provide for the defense and general welfare of the United States by furnishing emergency relief assistance to Yugoslavia; to the Committee on Foreign Affairs.

By Mr. WHITTINGTON:

H. R. 9854. A bill to amend the act entitled "An act to provide better facilities for the enforcement of the customs and immigration laws," approved June 26, 1930, as amended; to the Committee on Public Works.

By Mr. FULTON:

H. R. 9855. A bill to amend the act of July 6, 1945, as amended, so as to reduce the number of grades for the various positions under such act, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. RHODES:

H. R. 9856. A bill amending section 3 of Public Law No. 134, Seventy-ninth Congress; to the Committee on Post Office and Civil Service.

By Mr. HELLER:

H. R. 9857. A bill to grant certain benefits provided for veterans of World War II to persons on active service with the Armed Forces during the military, naval, and air operations against the forces of North Korea, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. BUCHANAN:

H. Con. Res. 292. Concurrent resolution authorizing the printing of additional copies of House Report No. 3137; to the Committee on House Administration.

H. Con. Res. 293. Concurrent resolution authorizing the printing of additional copies of hearings held before the Select Committee on Lobbying Activities; to the Committee on House Administration.

By Mr. LARCADE:

H. Res. 873. Resolution providing for the payment of certain additional charges for telephone and telegraph service furnished Members of the House of Representatives during the fiscal year 1950; to the Committee on House Administration.

By Mr. BUCHANAN:

H. Res. 875. Resolution authorizing the printing of additional copies of House Report No. 3138; to the Committee on House Administration.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALLEN of California:

H. R. 9858. A bill for the relief of Mr. and Mrs. W. A. Kettlewell; to the Committee on the Judiciary.

By Mr. ANGELL:

H. R. 9859. A bill for the relief of Chikako Shishikura Kawata; to the Committee on the Judiciary.

By Mr. BUCKLEY of Illinois:

H. R. 9860. A bill for the relief of Mrs. Ida E. Horton; to the Committee on Post Office and Civil Service.

By Mr. BUCKLEY of New York:

H. R. 9861. A bill for the relief of Ciro Panariello; to the Committee on the Judiciary.

By Mr. McCORMACK:

H. R. 9862. A bill for the relief of Joseph Saganich; to the Committee on the Judiciary.

By Mr. WALSH:

H. R. 9863. A bill for the relief of Man Foon Tow; to the Committee on the Judiciary.

SENATE

WEDNESDAY, DECEMBER 6, 1950

(Legislative day of Monday, November 27, 1950)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Eternal Spirit, hope of the souls that seek Thee, strength of the souls that find Thee, pushed and pressed by grave questions and vexing problems we would bow, first of all, at this daily altar dedicated to the far look. Before our eyes may there tower those lofty and eternal verities that outlast the strident noises of any day.

The world about us is full of wild commotion, the clamor of the violent, the dark deeds of the ruthless and the agony of uncounted hosts of Thy children, haunted by nameless dread and ground in the dust of tyranny. We cannot adequately face such a world and make our humble contribution to the healing of its tangled, tragic state unless our faith in Thy power to make even the wrath of man praise Thee and in the ultimate victory of Thy purpose is kept untarnished.

"Lord, in this hour of tumult,
Lord, in this night of fears;
Keep open, O keep open,
Our eyes, our hearts, our ears."

We ask it in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. MAGNUSON, and by unanimous consent, the reading of the Journal of the proceedings of Tuesday, December 5, 1950, was dispensed with.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Hawks, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed a bill (H. R. 9827) to provide revenue by imposing a corporate excess profits tax, and for other purposes, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the concurrent resolution (S. Con. Res. 105) authorizing the appointment of a committee to attend the general meeting of the Commonwealth Parliamentary Association to be held in Australia or New Zealand.

ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

H. R. 483. An act to extend the time limit within which certain suits in admiralty may be brought against the United States; and

H. R. 2365. An act for the relief of the city of Chester, Ill.

LEAVE OF ABSENCE

On his own request, and by unanimous consent, Mr. CAIN was excused from attendance on the sessions of the Senate from the close of business December 14 through the remainder of 1950.

MEETING OF COMMITTEE DURING SENATE SESSIONS

On request of Mr. CHAVEZ, and by unanimous consent, a subcommittee of the Committee on Labor and Public Welfare was authorized to meet during the sessions of the Senate on Thursday and Friday of the present week.

CALL OF THE ROLL

Mr. MAGNUSON. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The roll was called, and the following Senators answered to their names:

Aiken	Hill	Morse
Anderson	Hoey	Mundt
Brewster	Holland	Myers
Bricker	Hunt	Neely
Butler	Ives	Nixon
Byrd	Johnson, Tex.	O'Conor
Cain	Johnston, S. C.	O'Mahoney
Capehart	Kefauver	Pepper
Chapman	Kem	Robertson
Chavez	Kerr	Russell
Clements	Kilgore	Saltonstall
Connally	Knowland	Schoeppel
Cordon	Langer	Smith, Maine
Donnell	Leahy	Smith, N. J.
Douglas	Lehman	Smith, N. C.
Dworshak	Long	Stennis
Eastland	Lucas	Taft
Ecton	McCarran	Taylor
Ellender	McCarthy	Thomas, Okla.
Flanders	McClellan	Thomas, Utah
Fulbright	McFarland	Thye
George	McKellar	Tydings
Gillette	McMahon	Watkins
Gurney	Magnuson	Wherry
Hayden	Malone	Wiley
Hendrickson	Maybank	Williams
Hickenlooper	Millikin	Young